



Shell buys into gas

Giant outlays \$776m for deal with Arrow

Tony Grant-Taylor

INTERNATIONAL energy major Royal Dutch Shell has jumped into Queensland's coal seam gas industry through a deal worth up to \$776 million with Arrow Energy.

The deal comes less than a week after Santos did a \$2 billion coal seam gas and liquefied natural gas deal with Malaysian oil and gas giant Petronas and Origin Energy knocked back a \$13.6 billion takeover from the UK's BG Group.

Shell will buy 30 per cent of Brisbane-based Arrow's CSG tenements across Queensland for an initial payment of \$435 million.

And it has pledged to help with Arrow's planned Gladstone LNG facility, to be built by Liquefied Natural Gas Ltd, and to negotiate market rate off-take agreements for some or all of the plant's proposed output.

Arrow managing director Nick Davies said the LNG plant was likely to be the first into production at Gladstone, beating the bigger three million tonne-projects planned by

Santos-Petronas and Queensland Gas and its partner BG Group.

Arrow's facility will start small at from 1.3 million to 1.5 million tonnes of LNG a year.

Analysts said yesterday Arrow's deal did not value its CSG reserves as highly as the Petronas deal with Santos — which Santos said implied a value of \$1.65 a petajoule for its proven, probable and possible (3P) reserves.

Analysts said Arrow's deal at first sight valued its 3P gas at 77¢ a PJ.

Mr Davies said, however, that Petronas's view was that it was paying 88¢ for Santos's 3P reserves.

And he said Arrow saw particular strategic value for its Asian assets in the deal, which he said had also been struck to take advantage of Shell's contacts, experience and expertise in international markets, particularly China.

Arrow will get another \$140 million when a final investment decision on the LNG plant is taken.

And Shell, which is yet to negotiate its full role with LNG Ltd — which is backed by

international LNG shipping group Golar and yesterday welcomed the deal — has promised Arrow another \$70 million when the plant begins production.

Arrow has a huge portfolio of CSG exploration tenements in Queensland's Bowen and Surat basins, only a small part of which has yet been tested.

But it has also concentrated on building an exploration business in Asia.

And Shell is also paying \$53 million upfront for a 10 per cent interest in that business, and will pump further funds into the operation if Arrow manages to prove up significant international reserves in China, India, Vietnam and Indonesia.

Shell has also taken an option to participate in any Arrow developments in those countries.

The Arrow-Shell deal means all four CSG groups planning LNG Gladstone plants now have major international partners — who will either buy or market their LNG output if all the plants in fact come onstream.

with agencies

On target

- Arrow Energy strikes \$776m deal with Royal Dutch Shell
- Shell will buy 30% of Arrow's Qld CSG tenements for \$435 million.
- It will also help with Arrow's planned Gladstone LNG facility
- Shell will pay \$53m for 10% stake in Arrow's Asian exploration business



Courier Mail
Tuesday 3/6/2008
Page: 59
Section: Business News
Region: Brisbane Circulation: 221,049
Type: Capital City Daily
Size: 462.99 sq.cms.
Published: MTWTFS-

Brief: STARLINK
Page 2 of 2



SEES particular strategic value for Asian assets in the deal . . . Arrow Energy CEO Nick Davies yesterday. Picture: Tim Marsden