



Arrow to drill for gas in Indonesia

Energy

ARROW Energy, Royal Dutch Shell's Australian coal-seam gas partner, will start drilling in Indonesia and may expand in Europe and southern Africa as it pursues a 10-fold jump in production by 2015.

Arrow's strategy "is to get as much quality acreage as quickly as we can, before it becomes of interest to everyone else", said chief executive Nick Davies.

Arrow targeted annual production of more than 200 petajoules, with about 25 per cent of that from outside Australia, he said.

Company spokesman Andrew Barber said output now was about 20 petajoules.

Brisbane-based Arrow's shares have surged 65 per cent in six months, partly on optimism about increased demand for gas as a cleaner-burning fuel than coal.

Arrow planned to supply two Queensland liquefied natural gas ventures targeting export markets in North Asia and wanted to replicate its Australian business in China, India, Vietnam and Indonesia, Mr Davies said from Singapore yesterday.

Hai Pham, an analyst at Bakers Investment Group in Brisbane, said: "The gas business is unpredictable but they've got proven ability to deliver what they promise. I think they can progress well in Asian countries."

Gas output of 200 petajoules is equivalent to about 34 million barrels of oil, according to Geoscience Australia.



Offshore attractions: Nick Davies says Arrow wants to expand in Asia

Picture: David Sproule

Arrow had started projects in China, India and Vietnam and was set to begin drilling in Indonesia within a month, Mr Davies said.

The company estimates Australia may hold up to 350 trillion cubic feet of coal-seam gas resources, and Indonesia an estimated 450 trillion cubic feet of gas, he said.

Arrow's gas is set to be used at two LNG ventures in Gladstone, central Queensland — the Fisherman's Landing project of Golar LNG and Liquefied Natural Gas Ltd, and Shell's Curtis Island venture.

They are among five LNG plants proposed for Queensland targeting sales to Asia.

Arrow, Australia's largest owner of coal-seam gas field

acreage, would examine supplying gas to more of the Queensland LNG projects, Mr Davies said.

"Never say never. It depends on how much gas we've got and how quickly it comes forward."

Coal-seam gas is mostly methane found on the surface of coal. The gas can be extracted when pressure on the seams is reduced, usually by removing water.

LNG is gas chilled to liquid form for transportation by tanker to destinations not connected by pipeline.

Arrow traded 1.6 per cent lower at \$4.31, valuing the company at about \$2.8 billion.

Speculation of a takeover bid has helped fuel the stock's advance this year. Shell, which owns

a 30 per cent stake in Arrow's coal-seam gas acreage in Queensland and a 10 per cent interest in its international unit, made a \$3bn offer for Arrow, with talks ending in stalemate, London's *Sunday Telegraph* reported in August.

Arrow had held discussions with parties about a change of control but had not received an offer, the company said on August 13.

Mr Davies declined to elaborate on a potential takeover bid.

"We're very focused on delivering gas to the two LNG projects," he said.

"That's 100 per cent of what we're focused on as a company. But we're always checking for alternative value."

Bloomberg