

Green Light For \$802M Kupe Gas Project

The Kupe Gas Project in New Zealand will proceed to construction following a final investment commitment made by the joint venture on 29th June at an estimated cost of \$802 million, an increase of \$148 million since last October.

Operator Origin Energy said construction is expected to begin at Taranaki in September and the project is expected to be online by mid-2009, producing around 20 PJ annually which is about 15% of New Zealand's current energy demand.

Origin Energy Resources Managing Director, Grant King, said the project will also produce LPG commencing at 90,000 tonnes per annum and condensate commencing at 1.7 MMbbl pa, declining over the life of the field.

"However, the renegotiated gas supply agreement, coupled with higher expected condensate and LPG prices and increased reserves announced last year, have assisted in offsetting project cost increases and have provided the joint venture with the confidence to proceed."

King said the joint venture has taken a progressive approach to the construction management of the project through an alliance contracting arrangement with the major contractor, Technip. "Having one owner/contractor alliance team managing all the major activities other than drilling will lead to more effective and efficient execution of the project", King said.

Speaking on behalf of the major customer for Kupe gas, Genesis Energy Chief Executive Murray Jackson said the decision to develop Kupe assures Genesis Energy of long term gas

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"A tremendous amount of technical, design, consultation and assessment work has been undertaken to get the project to this point. We are delighted now to see the fruition of this work in a decision by the joint venturers to proceed", King said.

That work has included:

- design of a new onshore production station to process gas from offshore;
- extensive community consultation resulting in the obtaining of resource consents for the project;
- project reserves being increased by around 15% to 389 PJ;
- an Alliance project delivery strategy; and
- a renegotiated gas supply contract to accommodate the higher capital costs resulting from the booming oil & gas construction market.

"The high level of associated liquids production means that the project also stands to benefit if the significant increase in oil prices, seen over the last two years to around US\$70 bbl today, is sustained into the future", King said.

"We announced in October 2005 that estimated project costs were higher than originally anticipated as a result of higher commodity prices and the unprecedented level of activity in the oil and gas market around the world. These trends have continued.

supplies for its new e3p power generation project. "Both Kupe and e3p are critical assets which will help underpin New Zealand's energy future and stripping out LPG will preserve New Zealand's ability to meet the bottled gas market", Jackson said.

The Kupe Gas Project will comprise:

- An unmanned offshore platform at the Kupe Field supporting up to six wellheads;
- A new onshore production station;
- A shore crossing, bored under the coastline cliffs, connecting the offshore pipelines from the platform to the production station; and
- A network of onshore pipelines.

Construction is expected to commence in Taranaki in September 2006. Participants in the Kupe Joint Venture are: Origin Energy through: Origin Energy Resources (Kupe) Ltd Operator 32.1875%, Kupe Mining (No 1) Ltd 17.8125%; Genesis Energy through: Kupe Holdings Limited 20%, GP No 2 Ltd 11%; New Zealand Oil & Gas Limited through: National Petroleum Limited, Nephrite Enterprises Limited and Petroleum Equities Limited 15%; Mitsui E&P New Zealand Limited 4%. ■