

BHP Ramps Up Petroleum Focus

BHP and ExxonMobil are exploring options for the long stalled development of the Scarborough gas field, located 280 km offshore beyond the North West Shelf.

BHP Billiton Petroleum Division President, Mike Yeager, said the company has held talks on possibly processing gas from its Scarborough joint venture at the liquefied natural gas plants of third parties in Western Australia, or to develop the field via a floating LNG development.

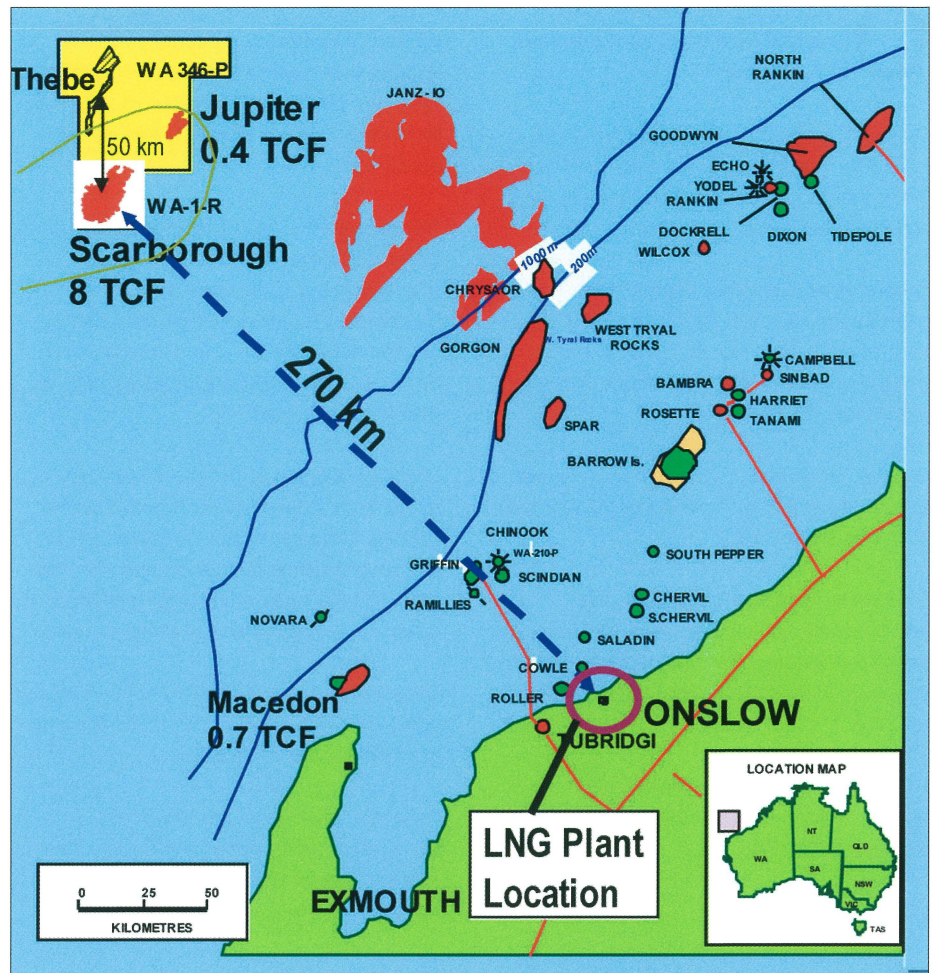
A floating operation would also avoid WA state laws that require gas projects to set aside 15% of their reserves for the state market.

However, Yeager said third party processing, such as the delivery of Scarborough gas into the existing North West Shelf Venture operation or to Chevron's Gorgon LNG Project, was just one of the options being considered by the joint venture.

"Scarborough's day is in the sun, and there are hundreds of people working on that right now as we speak", he said.

"BHP has held discussions over the potential processing of Scarborough gas by a third party. We are in talks with everybody in Western Australia on these things."

Exxon said in 2005 that Scarborough was unlikely to be commercial for some time and preferred to focus instead on its Gorgon joint venture, although Asian LNG demand has surged since then, driving up prices and making the project more attractive.



Location map of the Scarborough gas field, located 280 km offshore, beyond the North West Shelf.

Petroleum currently makes up about 20% of BHP's value, a percentage that will be reduced if BHP is successful in its bid for Rio Tinto, which has no petroleum division.

However, Yeager said BHP would look to aggressively grow the petroleum division in the wake of a successful takeover of Rio Tinto with the aim of building it back up to 20% of the combined entity, likely through growth by merger and acquisition. ■