Here’s what will send oil prices back up again

As you walk the halls of this year’s AOG Exhibition, you will no doubt hear tales of concern and greatly reduced sales figures, brought on by low international crude oil prices.

There is no doubt that oil’s rapid decline since August of last year has been dramatic, but to listen to some commentators you would also think it is unprecedented and irreversible. Those claiming that oil will continue to fall from here and remain low for evermore, however, are flying in the face of both history and common sense. The question we should be asking ourselves is not if oil prices will recover, but when they will.

From June of 2014 until now, the price of a barrel of West Texas Intermediate (WTI) crude oil has fallen approximately 57%. As figure 1 shows, there have been drops of a similar percentage five times in the last 30 years. The rate of recovery has been different each time, but recovery has come. In addition, since 1999 the chart shows a consistent pattern of higher lows. In other words, oil is a volatile market, but prices are in a long term upward trend.

Charts can only tell us so much, however. Even a long term trend can be broken if fundamental conditions change, and that, say those predicting that oil will never recover, is what has happened. There is no doubt that supply has increased. Hydraulic fracturing, or “fracking” technology has unlocked reserves of oil and natural gas previously thought of as unrecoverable. Supply alone, however, doesn’t determine price. We must also consider demand, and that has been increasing too.

According to this chart, from the U.S. Energy Information Agency (EIA), demand has been increasing along with supply since 2010. Admittedly there has been a production surplus since the beginning of 2014 but that is nothing new and is forecast to be back in balance by the end of this year. The increased production, then, is in response to increasing demand, hardly a recipe for a prolonged period of low prices.

The Australian Petroleum Production & Exploration Association (APPEA) has claimed a new five-year gas supply contract signed by Santos and Alcoa undermines DomGas Alliance arguments that domestic gas reservation is needed to correct perceived market failures.

DomGas, however, has stated the deal, while welcome, confirms “repeated warnings that gas users are facing major challenges securing adequate volumes and long-term contracts”.

Under the deal, Santos will supply Alcoa 82 PJ, from the John Brookes field in the offshore Western Australian Carnarvon Basin, over an initial contract term of five years, starting in 2018. The contract provides for two five-year extension options by mutual agreement. Domestic gas reservation remains a topic of hot debate within industry, with APPEA stating the new contract undermines the reservation lobby argument and is evidence of WA’s increasingly mature domestic gas market.

APPEA Chief Operating Officer Western Region Stedman Ellis stated DomGas claims that gas reservation is needed to correct a market failure in WA had again been exposed by one of its own members.

“The DomGas Alliance has consistently sought to justify ongoing government intervention CONTINUED ON PAGE 5 >>

APPEA and DomGas spar over Santos contract

The Santos WA Offshore Assets, including the WA-29-L (John Brookes) and WA-45-L (Sp ar) Producing Permits, in 45-70 M of Water.

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AOG 2015: Welcome to Perth

With AOG 2015 now upon us, the eyes of the oil and gas world will once again fall on Perth, with interstate and international visitors arriving in numbers for the platform event for the Australian oil and gas industry. Indeed, with AOG expected to attract over 620 companies from more than 25 nations, drawing more than 17,000 visitors, the oil and gas crowd is once again arriving en masse.

And while AOG will, as always, provide plenty of talking points, covering a broad range of topics throughout the three days— including the recent drop in crude oil prices and its impact on local industry, and the growing role of new oil and gas technologies such as FLNG—visitors are also encouraged to get out and about during their time in Perth, to take in the local sights and sounds, and to see what the city and its surrounds has to offer.

While summer has now drawn to a close, the heat is well and truly still in the air, and for those keen on outdoor activities it is a good time of year to be in Perth. With abundant stretches of white coastline a short drive from the city, the beach is accessible in relatively short time, and with the annual Sculpture by the Sea running at Cottesloe Beach, transforming one of Perth’s most well-known and popular beaches into a sculpture park, it could be a good opportunity to get down to the coast to experience something a little different.

Closer to the CBD, Kings Park, occupying over 400 hectares, is one of the world’s largest inner-city parks, encompassing an array of views, from the Swan and Canning rivers, the city skyline, and the Darling Ranges in the east. Free to enter and featuring bushland walk trails, gardens and parklands, Kings Park is home to the Western Australian Botanic Garden, which contains over 3,000 species of the state’s Flora. For those keen on a beverage of either the caffeine or amber kind, the port city of Fremantle, to the south of Perth, is a popular destination. Fremantle is home to the “Cappuccino Strip”, a hub of cafes and restaurants, known for its al fresco dining, and a lively spot to visit in the evening. A short walk from the strip, towards the harbour, the Little Creatures brewery, offering a selection of local beers and food, looks out over the water. For beer aficionados, Little Creatures runs brewery tours at 1, 2 and 3 pm every day.

Further afield, and for those with a bit of post-conference time on their hands and the inclination to explore, the southern coast of Western Australia offers up any number of holiday spots, perfect for a weekend getaway. A popular destination, famous for its world-class surf breaks, Margaret River is around 300 km (about a three-hour drive) from Perth. Home to stunning natural scenery, including beaches, caves and forests, if further incentive is needed the region is world-renowned for its wine and is popular for its winery tours.

Finally, and as always, it’s good to see a healthy UK contingent in attendance at AOG. Funnily enough, and as the peculiarities of timing would have it, The Daily Review notes, with the 2015 Cricket World Cup now well underway, as one group of Englishmen prepare to leave Australian shores, another has duly entered. Commiserations to our northern brothers on another unsuccessful World Cup campaign. Of course, you’re more than welcome to extend your stay and stick around over the next few weeks to watch the contenders battle it out for the trophy. It should be an exciting time for cricket fans, with only the elite cricketing nations remaining and the standard of cricket sure to lift another notch. To all our international and interstate visitors, enjoy your time in Perth, and best of luck over the next three days for what is shaping to be another informative and engaging AOG.
Oil & Gas industry on show at AOG 2015 in Perth from today

The international oil & gas industry will be out to show its strength in Perth today when the first major international petroleum industry event of the year gets under way.

Oil and gas specialists from around the globe will come together to discuss the latest trends and hear from world leaders, view the latest in technology developments, and kick up their heels at a range of networking events when AOG 2015 is staged at the Perth Convention Exhibition Centre (PCEC) for the next three days.

Thousands of attendees are set to view a record 620 companies from 25 nations, take their pick of 13 different conference streams, or catch up with their peers in one of the five specialist industry zones. There will also be plenty of opportunities to meet with old friends or make new ones at the various food and beverage centres open at various points around the venue.

“AOG has a long history of being one of the leading oil and gas gatherings of the year and we are looking forward to another highly successful event,” AOG Event Director at Diversified Communications, Bill Hare, said.

“The global oil and gas industry at a crossroads due to unstable oil prices and major cut backs in capital expenditure, AOG 2015 is viewed as an early barometer of the amount of confidence that remains in the sector and what areas will still receive strong investment backing going forward.”

“AOG 2015 is the place to be if you want to learn exactly what is going on from the leaders in their field at the conference, special industry lunches and the networking zones. And the many exciting opportunities and developments that are available in the industry will be very visible on the Exhibition floor at AOG this year, which will take all available space at the PCEC,” Mr Hare said.

Running for 34 years, AOG is considered one of the key international oil and gas industry gatherings. It also provides major benefits to the Western Australian economy, with large delegations flying into Perth from all of the world’s leading oil and gas nations.

“We are extremely proud of the international support we receive every year for AOG, with governments from around the world considering the event important enough to make sure it is always on their annual calendar to attend.

“We are also very grateful for the tremendous support we receive from the Western Australian Government and the City of Perth,” Mr Hare added.

Registration for AOG 2015 is free for professionals in the oil and gas industry.
FIGURE 2: WORLD LIQUID FUELS PRODUCTION AND CONSUMPTION BALANCE.

The temporary price drop has brought about a decision from OPEC to delay research and infrastructure spending on renewables, slowing its renewable energy programmes. However, the price will remain lower every year. The price has simply been driven by other similar vessel providers. 2015 marks the company’s 12th year in WA. A.M.S. Tugs and Barges look forward to providing continuous service excellence towards growing Australian-based clientele for another decade. A.M.S. is exhibiting at AOG 2015 and welcomes all visitors to their stand at AOG in the Subsea Zone.

With billions of dollars in Capex being outlaid on subsea developments in the region and subsea being a major component of the AOG 2015 programme, it is timely to speak with Mike Robinson, Chairman of Subsea Energy Australia (SEA) about the local subsea market and the recent news.

AOG: Mike, thanks for joining us. I wonder if we could start off with your views on what the Australian subsea sector is looking like going forward?

Mike Robinson: Thank you and nice to join AOG on this important discussion. Opportunities do exist in the local subsea market, however, the large mega projects are fewer and further apart compared to the large amount of activity which occurred between 2010 and 2012.

Woodside’s Browse is the mega project that everyone is looking at, with an expected FID around the end of 2015. One of three possible FLNG vessels listed locally with associated offshore production, a great Life of Field support, this is a significant subsea project that is everyone’s attention.

Woodside is also progressing with its Persephone and Great Western Flanks projects in 2015, with opportunities for Australian industry participation in both projects. On the other side, projects such as GEP/Suez’ Bonaparte FLNG development have been delayed, while there is a hold on Hess’ Equus development off the West Australian coast. Add-on or ‘infill’ wells for existing projects such as Gorgon and Wheatstone, as well as Conoco, may slide to the right based on current information; however, new equipment will be needed to maintain gas production levels for the LNG/FLNG facilities.

The well-known sale of Apache’s gas assets to Woodside may influence decisions on future add-on systems to Julimar and other potential Apache developments such as Zola. Oil developments are fewer, but still around with some possible work on Eni’s Kitan, pending drilling results, as well as Woodside’s Greater Enfield and the recent Apache/Carnarvon find. However, the current low gas prices may impact decisions and timing on these projects.

AOG: What have been some of the major new technical developments in the subsea sector?

Mike Robinson: The advent and expansion of the utilisation of large bore Vertical Subsea Trees, as first used by Woodside on Perseus over Goodwyn (Paq), Pluto and Angel - are now being supplied and installed in their latest versions for Wheatstone, Prelude, Xena and Ichthys.

AOG: What have been some of the exciting subsea related events attendees will see at AOG 2015?

Mike Robinson: Subsea Energy Australia supports the AOG Conference in association with the Society of Underwater Technology (SUT). We see this event as a key technical and commercial conference with top class technical and pertinent, commercially focused presentations and workshops.

AOG: How do you see the future for the increased use of single and/or multiphase boosting, as well as gas-liquid, and oil-liquid separation?

Mike Robinson: Raw and or treated seawater injection is also attracting interest for reservoir pressure maintenance. Long distance tiebacks for stranded gas is now part of the portfolios of many global oil companies, with Australia having more than its fair share. So the use of new technology, such as processing, subsea wet or dry gas compression, along with the implementation of various assurance controls (either in electro-hydraulic or all electric), are key parts of the strategies being used to unlock these opportunities.

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The Den
The Den is the place to be to enter the $10K Wartsila Prize Draw. You can also pick up a free coffee and a free massage while you’re there.
Sponsored by
Weir Bratwurst Bar
Taste the finest German delicacies at the Bratwurst Bar, where you can grab a delicious Bratwurst and Bohemian Pilsner to keep you moving at AOG.
Sponsored by
Matrix Oyster Bar
Jerry Fraser, the ‘King of Oysters’, is back for the ultimate oyster-shucking experience. Pair with a glass of wine and indulge yourself.
Sponsored by
INTECSEA Paella Bar
Spanish flavours burst to life at the INTECSEA Paella Bar. Chicken and chorizo paella and a cool glass of sangria combine for a refreshing break during AOG.
Sponsored by
Aurecon Conference Café
A great place for lunch. Grab a steak sandwich, spiced chicken wings or a delicious pizza to keep your brain switched on during AOG.
Sponsored by
Ansell Restaurant
Head to the Ansell Restaurant for a bite to eat, including burgers and gourmet pies. There is a free mobile phone charge bar onsite, so you can charge up your phone or tablet while you chow down.
Sponsored by
Official Bar
Wind down after a busy day with a cold beer at Print Hall, the official bar of AOG. You will find Print Hall at 125 St Georges Terrace, just a short stroll from AOG.
Sponsored by

AOG Networking Zones

AOG has a variety of networking zones on the show floor where you can relax, enjoy a drink, grab a bite to eat and catch up with friends and colleagues.

#3 AOG Women
As one of the most anticipated events at AOG, AOG Women, brought to you by Inpex, brings together women from throughout the oil and gas industry who are turning traditional gender stereotypes on their heads and challenging businesses to find a female voice. Enjoy an afternoon of networking and inspiration, featuring a keynote speech and panel discussion on issues impacting the growing number of women in the oil and gas industry over high-tea. There is also chance to win a stunning Australian South Sea Cultured Pearl and Champagne Diamond Pendant from Willie Creek Pearls.
Friday 13 March
1pm – 4pm
Tickets $89

#4 AOG Networking Zones (plus the best bites at AOG)
AOG has a choice of networking zones on the show floor where you can relax, enjoy a drink, grab some food, and catch up with key contacts at the event. The exhibition will be buzzing with networking zones to fuel you through the day, highlights include: Jerry Fraser, the ‘King of Oysters’, for the ultimate Oyster-shucking experience in the Matrix Oyster Bar; or if your taste is for the finest of German or Spanish delicacies, then make sure you make your way to the fabulous Bratwurst Bar and INTECSEA Paella Bar. Wind down after a busy day, there is no better place to join the flock of AOG visitors for a beverage than at Print Hall, the official AOG bar sponsor.

Alcoa states it consumes approximately 25% of the state’s total domestic gas supply, with the Santos deal to meet 16% of its WA gas requirements.

Last December, the Independent Market Operator’s (IMO) Gas Statement of Opportunities found that supply of gas to the WA domestic market is expected to be adequate to meet demand over a forecast period to 2024. The IMO noted uncertainty had ‘reduced considerably’ following the WA government’s announcement of an agreement reached with the North West Shelf joint venture late last year, with operator Woodside and its partners agreeing to reserve domestic gas equivalent in volume to 15% of new approved LNG exports.

‘The evidence clearly shows that there is no difficulty obtaining domestic gas supply as long as customers are prepared to pay prices that reflect the high cost of exploration and development,’ Ellis stated.

Santos General Manager WA & NT Brett Woods stated the Alcoa contract is significant “not only in terms of its value, but also in its tie-up with WA’s biggest buyer of natural gas.”

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Support your ops and maintenance

Operations and maintenance support facility immediately available

As projects move from execution to the operating phase, the focus shifts from construction issues to establishing operational excellence. Operational excellence ensures production facilities are run safely, reliably and cost-effectively. The AMC CUF infrastructure provides an ideal platform to support an organisation’s determination to meet its operational excellence goals. As a support facility, the AMC CUF can provide when needed:

- A logistics base for importing, storing, staging and transporting supplies
- A maintenance facility for servicing and repairing floating assets
- A maintenance facility for servicing and repairing production equipment

This potential has been recognised by several major players in Western Australia:

- Chevron has established a world-class service and supply base at the AMC CUF. Currently this base is supporting the construction supply chain to the Chevron Gorgon Barrow Island project, and this support will be available to operations and maintenance when construction is complete.
- Carnegie Wave Energy will use the CUF to support the deployment and testing of its next generation CETO 5 unit to be installed off of Garden Island, providing power and freshwater to the HMAS Stirling naval base.
- The AMC CUF infrastructure to support maintenance projects on the ANZAC –class frigates and Collins-class submarines.

Immediate access to the extensive serviced laydown areas, the five loadout/service wharves and a world-class floating dock, ensures all your efforts toward operational excellence will be supported by the AMC CUF.

The AMC CUF is located on the coast at Henderson, 23 km south of Perth Western Australia. The AMC CUF is managed and operated by AMC Management Pty Ltd. To find out more about the AMC CUF contact AMC Management on Stand 114 or go online at australianmarinecomplex.com.au.

Waitsia has potential to be a “significant source” for the WA domestic gas market

AWE, operator of the L1/L2 joint venture in the onshore Western Australian Perth Basin, has advised that the Senecio-3 well has achieved an average gas flow rate of 12.3 MMscf/d from its primary target in the upper Kingia Sandstone, confirming the commercial potential of the Waitsia field.

The well will be shut in for a brief pressure build-up survey prior to a series of flow tests at various choke settings, rates and wellhead pressures. AWE, advised, to be followed by an extended pressure build-up survey, with the full testing program expected to be completed by mid-April.

A preliminary maximum gas flow-rate of 18.5 MMscf/d was measured on a 48/64-inch choke, while at the end of an 18 hour clean-up period, the well flowed gas at the average rate of 12.3 MMscf/d with a wellhead pressure of 1,980 psi over a 5-hour period on a 36-inch choke. AWE stated, with the gas composition predominantly methane with circa 2% of CO₂, present, within gas pipeline specification.

“This is an excellent result for AWE, the local community and Western Australia,” AWE Managing Director Bruce Clement commented. “The initial flow-test results confirm the Kingia Sandstone is a conventional gas reservoir capable of producing commercial flow rates of gas. It has also confirmed the potential for an exciting new gas play in the North Perth Basin.

“The Waitsia gas field represents an estimated gross 2C contingent resource of 290 billion cubic feet (Bcf) of gas with significant upside of up to 1.17 trillion cubic feet (Tcf) of gas, and we are planning to drill two additional appraisal wells on the Waitsia field this year to better define its full potential.”

Clement further stated AWE is “undertaking engineering studies on potential low-cost, early-stage development” of the field using existing plants and pipeline infrastructure, delivering gas into the domestic market.

“The Waitsia gas field has the potential to be a significant source of gas for the WA domestic market,” he commented. “The long-term outlook for gas prices in WA is positive and we have commenced work on gas marketing.”

AWE holds a 50% interest in L1/L2 with Origin Energy holding the remaining 50%.

The EIC Returns for Australasia Oil & Gas 2015

The Energy Industries Council (EIC), the leading trade association for UK companies that supply capital goods and services to the energy industries worldwide, will be back at Australasian Oil & Gas this year - managing the UK pavilion and showcasing the knowledge, products and expertise the UK has to offer.

The presence of the EIC and 17 UK companies at Australasian Oil & Gas 2015 comes at a time where – despite the current low oil prices – a wide variety of new upstream oil and gas project opportunities are available to the UK and broader energy supply chain.

According to EIC DataStream, the EIC’s global project tracking database that covers over 10,000 projects worldwide, there are currently 524 projects being tracked in the Australasia region. Out of these, there are 273 projects under proposal or under development with a cumulative potential investment value of US$44.5 billion.

More than 90% of these projects are located in Australia followed by Papua New Guinea, New Zealand and Timor-Leste.

The UK pavilion at Australasian Oil & Gas 2015 gives exhibiting UK companies a platform to showcase their services and innovative engineering solutions while also the ability to discuss region-specific needs directly with senior decision-makers.

EIC companies participating in the event include pipeline specialists, Atkins International and Optical Metrology Services; instrumentation, automation systems and engineering component specialists, Lilford Group; Kosa Kent Introl and Lonestar Group, waste heat recovery company, CITECH Energy Recovery Solutions; and Heatric, a provider of heat exchange solutions.

The Lifting Equipment Engineers Association (ILEA) will also be part of the UK pavilion as will be Process Systems International, a provider of pumping solutions; MS&M, a manufacturer of subsea products; Rolstund Limited, a manufacturer of studbolts and fasteners; Ruslan International, a heavy air cargo charter specialist and Vögele-Önep, a leading company in the heavy cargo market; Sensicent, a provider of laser based, open path gas detectors; Special Metals Wiggins, a provider of alloy products; Sterling Quality Services, providers of independent inspection and Quality Assurance services; and finally Oilandgasbrowsresearch.com, one of the world’s premier oil and gas industry job sites.

According to EIC DataStream, the top present projects in the Australasia region (among others) include the P’nyang, Elk-Antelope and Equus gas field developments; the North West Shelf project on the Persephone Gas Field, Greater Western Flank 16 Lambert Deep West; the PNG LNG Expansion Project operated by Exxon Mobil, the Gladstone LNG Project operated by Santos; the Wheatealid LNG Plant; the Greater Sunrise Gas and Condensate Fields; the Australia Pacific Liquefied Natural Gas (APLNG) project; and the Greater Gorgon Gas Project - Barrow Island LNG.

Despite the recent low oil prices, Australasia remains a key target region for the UK energy supply chain, “said Azman Nasir, Head of Asia Pacific at the EIC. “We’re delighted to be at Australasian Oil & Gas again, showcasing everything the UK has to offer.”

To find out more about EICDataStream and other ways in which the EIC can support your business development activities, visit the EIC at the UK Pavilion (stand 203), where EIC staff will be on hand to answer your questions.

Contact: Azman Nasir, Director EIC Asia Pacific
Tel: +61-02-273 6265
Email: kualalumpur@the-eic.com
AOG2015 – Today’s program

Wednesday
11 March

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<th>Time</th>
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<td>9:00</td>
<td>Plenary</td>
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<td>12:30</td>
<td>Lunch</td>
<td>Special Interest Lunch: Carnarvon Petroleum, opening up a new oil province on the North West Shelf</td>
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<td>Subsea Market Outlook</td>
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Visit stand Y14 for a coffee and for more information on the scope of facilities available at the Common User Facility.

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