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26 November 2013

Principal Research Officer
Economic & Industry Standing Committee
Parliament House
PERTH WESTERN AUSTRALIA 6000

Dear Chairman

Request for Further Information to the Western Australian Economics & Industry Standing Committee's Inquiry into the Economic Implications of Floating LNG Operations

On 21 October 2013, ConocoPhillips was pleased to appear before the Economics and Industry Standing Committee to assist the inquiry into the economic implications for Western Australia of floating LNG operations.

At the conclusion of the hearing, and in subsequent correspondence, the Committee requested additional information to address questions unable to be covered during the hearing. Please find attached ConocoPhillips' response to these questions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jack Griffin', written over a horizontal line.

Jack Griffin
Vice President Legal, Corporate Affairs
For and on behalf of ConocoPhillips Australia Pty Ltd

Query 1 – Page 2 of the transcript relates to the discussions ConocoPhillips has had with Timor-Leste in relation to the preferred development concept, and notes that there is no alignment on the issue. Please provide further details on what development options are under discussion with Timor-Leste and what if any the main points of contention are in relation to a possible FLNG option.

Historically the Sunrise joint venture selected a floating LNG concept as its preferred concept, whilst the Timor-Leste government preference was for a Timor onshore development. However discussion on development concepts is currently limited as a dispute relating to the Treaty on Certain Maritime Arrangements in the Timor Sea has been referred to international arbitration. Alignment between Australia and Timor-Leste on the interpretation and administration of the treaties is one of the key next steps required to agree on a development.

Query 2 – As per page 4 of the transcript, the issue of possible synergy between the Canning Basin and Browse field was raised. Ms Ewin indicated that ConocoPhillips was approximately six to eight years away in the exploration phase of the Canning Basin. Could you please confirm this estimation? Any further information on the development of Greater Poseidon area would also be welcome.

ConocoPhillips is currently jointly exploring in the Southern Canning Basin and the Greater Poseidon Area.

The exploration program in the South Canning Basin is in its infancy with only two exploration wells having been drilled to date. As the timing of the exploration, appraisal and development concept selection process is dependent on the drilling results, it is difficult to provide a future timeline. However as the Southern Canning Basin program is in such an early stage it is highly unlikely to be aligned with a potential development schedule for Greater Poseidon discoveries.

ConocoPhillips is operator and holds a 40% interest in Exploration Permits WA-315-P and WA-398-P, which contains the Greater Poseidon Area. Currently, we are conducting drilling operations to further explore the Greater Poseidon Area. This phase of exploration consists of at least six exploration wells and is scheduled to continue into 2014. Information from these wells will better define the size and quality of the hydrocarbon accumulations and will be critical for the future assessment of development studies and to support efforts to select a development concept. The timing of the selection process is dependent on the drilling results.

Query 3 – Pages 5 and 6 of the transcript centers on ConocoPhillips's experience with FPSOs. Could you please provide further information on your experience with FPSO vessels?

Consistent with the industry, many of ConocoPhillips' developments include FPSOs and FSOs. Engineering for the Bayu-Undan FSO was completed by a Fluor and Worley Parsons TIGA joint venture with engineering & procurement support provided by Samsung Heavy Industries in Koje, Korea. The engineering for the Belanak FPSOs noted in our submission was completed by KBR with construction in Dalian Liaoning,

Attachment 1

China and Bantam, Indonesia. For new builds we have used contractors such as DSME, Hyundai Heavy Industries, Samsung Heavy Industries, Modec, SBM and KBR. For conversions we have used contractors such as Keppel, and Sembcorp Marine. FPSOs and FSOs are proven and accepted development concepts within the Industry.

Query 4- Please provide information in relation to higher costs associated with the Australian Pacific LNG project, as requested on page 7 of the transcript.

Commercial and legal considerations preclude us from discussing the specifics of the project's cost increases in more detail than that already reflected in the public record. For a relatively recent statement on the project's costs, please see <http://www.originenergy.com.au/news/article/asxmedia-releases/1466>.

Query 5 - In relation to risk assessment and assessment of the regulatory environment as part of that process, as per page 9 of the transcript, what percentage of a project developed in Australia would be attributable to regulatory costs?

While we can say with confidence that regulatory costs in Australia are significant and have increased over time, we have not performed a cost analysis that would allow us to provide the percentage figure you have requested.