

**12 March 2018**

## **GO-AHEAD FOR DEVELOPMENT OF MEREENIE GAS PROJECT**

The Mereenie joint venture has taken the decision to proceed with the development of the Mereenie gas project following the ACCC's interim approval of joint marketing arrangements.

The 50:50 joint venture between wholly owned subsidiaries of Central Petroleum and the Macquarie Group has agreed and signed Authorities for Expenditure to confirm the drilling of WM26 and an immediate \$12 million upgrade of the processing plant.

The decision to develop Mereenie's gas potential to coincide with the Northern Gas Pipeline (NGP) becoming operational was taken last year, subject to ACCC approval of its joint marketing application.

After the ACCC interim approval on 2 March 2018 to joint marketing on more restrictive terms than had been applied for, the Mereenie joint venture took into account the following matters:

- The east coast gas market remains critically short with prices remaining at the \$8-\$10/GJ citygate
- The increased flexibilities in the system as a result of pipeline reforms, particularly the day ahead auction proposal
- The pipeline reforms promising more internationally competitive pipeline tariffs
- The work that Central has done on the FEED for the Mereenie plant upgrade
- The NGP is likely to be operational by December this year with the initial capacity of 90TJ/day (33PJpa) of which approximately 32 TJ/day has been contracted.

The upgrade is aimed at increasing its capacity from its present 25TJ/day (9 PJ pa), of which 15TJ/day is sold as gas into the NT Market with the balance re-injected, to a new capacity of 63TJ/day of which 58 TJ/day will be sold as gas without adversely affecting current crude oil production.

The joint venture decided that given the delay in the commencement of drilling, the best use of funds was to drill only one Stairway well and utilise the funds earmarked for the second Stairway well for a larger than envisaged plant upgrade at Mereenie.

"Ideally the plant upgrade decision should have been made in February to ensure the work was completed by the time the NGP became operational," said Managing Director of Central Petroleum Richard Cottee.

"But Central was never, nor should it be, in control of regulatory approvals and while it will be tight Central, as Operator, will use every endeavour to ensure the Mereenie processing plant has the capacity to sell 58TJ/day of Sales Gas by the end of this year."

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