Santos' Barossa giant gas project on track for 2025 start-up

Upstream, 17 July 2024. *By Amanda Battersby, Asia Bureau Chief, Singapore*

Santos' US$4.6 billion Barossa gas condensate project offshore Australia that will provide backfill gas to the Darwin LNG project is now 77% complete, and production start-up remains on target for the third quarter of 2025.

The Barossa floating production, storage and offloading (FPSO) vessel's integration and pre-commissioning activities are proceeding as planned at Seatrium's Singapore yard, with sailaway scheduled for the first quarter next year. All 16 modules have now been installed on the newbuild BW Opal FPSO that BW Offshore is supplying, under a firm 15-year plus options lease for Barossa.

Legal challenges on environmental grounds had delayed both the pipelaying and development drilling for the giant Barossa gas project but work is now progressing apace.

Santos said that installation of the project's 262-kilometre Gas Export Pipeline (GEP) was completed in early May, with testing activities being successfully completed the following month. Construction has now commenced on the Darwin Pipeline Duplication, with nearshore activities in Darwin harbour in progress.

Barossa's development drilling activities continued during the second quarter, with the second well drilled, cased and suspended above the reservoir. The third well of the six-well campaign was spudded in May and drilling is under way.

Meanwhile, the FPSO's mooring buoy and all six infield subsea flowlines have been installed, while installation of the remaining subsea infrastructure continues to plan. Offshore installation of the floater is scheduled to start in Q1 2025, and Barossa project remains on target to commence production in the third quarter of 2025 and within current cost guidance, Santos confirmed on Thursday.

"We can now see line of sight to our major projects progressively coming online, putting us in a strong position to deliver sustainable, competitive shareholder returns over the long term," commented Santos chief executive Kevin Gallagher.

"Our focus for 2024 is on continuing to drive the disciplined low-cost operating model across the business and the execution of the Moomba phase one CCS project, Barossa gas project and Pikka project, whilst maintaining a strong balance sheet."

Santos on 6 July achieved mechanical completion of its Moomba carbon capture and storage (CCS) project, which is now 92% complete and on track to ramp-up injection of Cooper Basin Gas Plant CO2 throughout the second half of 2024.

Moomba CCS is in the final commissioning phase with injection well tie-ins currently in progress, while the operator has completed the initial study on CCS pipelines for phase two of the project.

Studies are ongoing with potential domestic and international customers for CO_2 sources to expand Moomba CCS operations to capture and store third party CO_2 for phase two.

“Work continues on phase two activities with a focus on opportunities for Santos to provide carbon management services to customers and third parties, particularly in hard-to-abate sectors,” added Gallagher.

Further afield, Santos’ Pikka field development on Alaska’s North Slope in the US is now 56.2% complete.

All facility piles have been installed, more than 98% of the vertical supports are in place and 40 miles of pipeline has been completed to date.

The Pikka drilling programme is progressing to plan, with the 10th well currently being drilled. Nine wells have been drilled, including two disposal wells. Six development wells have been stimulated and four have been flowed back, with results comparing favourably with pre-drill expectations, noted the operator.

Meanwhile, Santos Energy Solutions’ Bayu-Undan CCS project front-end engineering and design work continues to make good progress with particular focus on the regulatory frameworks in both Timor-Leste and Australia. Santos and its joint venture partners continue to engage with the Australian and Timor-Leste governments to facilitate these frameworks.

Timor-Leste has engaged the International Finance Corporation (a member of the World Bank Group) to assist in developing an international best practice CCS regime that will enable the import of CO_2 from neighbouring economies. Australia has allocated funding in the Federal budget for the preparation of bilateral agreements and has held meaningful discussions with regional trading partners, including Timor-Leste, noted Santos.

While work continues with customers to reach binding CO_2 transport and storage agreements for the proposed CCS project, the mature, declining Bayu-Undan gas field continues to produce to meet demand in Australia’s Northern Territory.

Santos achieved second quarter 2024 sales revenues of US$1.3 billion, on a par with one year prior; while Q2 free cash flow from operations was US$380 million — bringing the expected total for the six months ended 30 June to approximately US$1.06 billion.

“First half cash flow of almost US$1.1 billion positions us well to fund shareholder returns, backfill and sustain our existing business, and grow our Santos Energy Solutions business,” said Gallagher.

The operator’s overall oil and gas production increased by 2% quarter-on-quarter to 22.2 million barrels of oil equivalent in the most recent three-month term. Santos’ Western Australia production volumes alone were up by 6% compared to the first quarter, following recovery from weather events and planned maintenance in the early months of the year.

However, Santos' second quarter 2024 liquefied natural gas production was lower than the previous three months due to seasonal shaping of the Gladstone LNG (GLNG) project’s domestic gas commitment. Even so, based on current shipping plans, GLNG’s production is expected to remain around 6 million tonnes for the full year.

In Papua New Guinea, the operator has begun tying in the two recently completed Angore field wells to the PNG LNG project. Production of around 350 million cubic feet per day of gas gross is expected to backfill into the PNG LNG project.