Historic Timor treaty paves way for projects

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Timor-Leste and Australia have finally ratified their maritime boundary giving Timor-Leste exclusive jurisdiction over the Bayu-Undan field and other discoveries, paving a way for the Buffalo redevelopment and the Sunrise liquefied natural gas project, write Amanda Battersby and Russell Searancke.

The Maritime Boundaries Treaty was ratified by both countries’ governments on 30 August, and establishes a permanent maritime boundary between the two countries and a legal framework for the development of oil and gas resources in the Timor Sea.

The two sides also signed transitional arrangements that will provide commercial certainty and security during the transition from the Timor Sea Treaty to the new Maritime Boundaries Treaty.

The new boundary places the Bayu-Undan gas and condensate field exclusively in Timor-Leste’s jurisdiction, as well as the suspended Kitan oilfield and an Eni-operated exploration permit.

In addition, the Buffalo oilfield, which is being redeveloped by Carnarvon Petroleum, falls under Timor-Leste’s jurisdiction.

As a part of the treaty ratification, five new production-sharing contracts were signed by Timor-Leste and operators ConocoPhillips, Eni and Carnarvon.

The Woodside-led Sunrise joint venture has not yet formulated the PSC that will underpin the development of Sunrise LNG.

ConocoPhillips said it had signed new PSCs for the Bayu-Undan field that provide regulatory, fiscal and legal stability.

ConocoPhillips Australia-West president Chris Wilson said: “The ratification of the Maritime Boundary Treaty is a significant milestone for Timor-Leste in their journey to sovereignty in the Timor Sea.

"We congratulate Timor-Leste Prime Minister Taur Matan Ruak and his government, particularly the Autoridade Nacional do Petroleo e Minerais, for their role in developing the complex regulatory framework that will provide continued stability for Bayu-Undan."

Carnarvon Petroleum chief executive Adrian Cook said the company’s new PSC "enjoyed equivalent terms as to those in Australia" and "allows Carnarvon to continue to work towards drilling a Buffalo well and achieving first oil in this field as soon as practical".

Ricardo Silva, head of Timor-Leste jurisdiction at law firm Miranda, said the near two-year negotiation process was "a long and gruelling process for all involved, that
tested everyone’s legal, negotiating and commercial skills”.

He added: "The fact that both states and the various contractors were able to reach a satisfactory agreement is a great achievement of all the teams and their members."

As far as Sunrise is concerned, Wood Mackenzie senior analyst Chris Meredith said Timor-Leste’s economy is underpinned by a petroleum fund that will see no additional revenue once the Bayu-Undan field stops production in 2022.

“As a result, development of Greater Sunrise is the top priority.”

Woodside has indicated that it will not invest in onshore liquefaction facilities in Timor-Leste, and Meredith said Woodmac expects Sunrise will initially be a liquids-stripping project, monetising the large condensate resource up front.

“On a later timeline, the gas resource will be produced via the onshore liquefaction plant.”

The Greater Sunrise licences are home to the Sunrise and Troubadour fields, which were discovered in 1974 and contain an estimated 5.1 trillion cubic feet of gas and 225.9 million barrels of condensate.

The Timor-Leste government in April completed the US$650 million purchase of ConocoPhillips’ and Shell’s interests in the Greater Sunrise fields.

The Dili administration now has a 56.56% interest in the fields, with operator Woodside on 33.44% and Japan’s Osaka Gas on 10%.

The Greater Sunrise fields are located 150 kilometres off Timor-Leste's south coast in water depths between 90 metres and 550 metres.

Meanwhile, Kevin Gallagher, chief executive of Santos - a partner in Bayu-Undan - said at the signing of the PSCs that he was delighted to have been part of an "historic achievement which marks the next chapter in Timor-Leste’s economic independence and development".

“What better time to reach and celebrate this milestone than the 20th anniversary of the day when the people of Timor-Leste voted resoundingly for independence (from Indonesia)," he added.