

## Inpex Corporation writes down value of Kitan oil field in Timor Sea

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Published: March 24, 2015 - 8:49AM

Japanese oil and gas producer Inpex Corporation has written down the value of its Kitan oil field in the Timor Sea after the plunge in crude oil prices, signalling the decline in the outlook for one of the few petroleum fields providing revenue for Timor-Leste.

Inpex said it reduced the carrying value of its stake in the JPDA06-105 block holding Kitan by about 7.5 billion yen, while it took a larger 27.5 billion yen write-down on its Joslyn oil sands project in Canada.

Kitan, operated by Italy's ENI, was discovered in 2008 and started production in October 2011. It is expected to have a production life of about seven years. Inpex, which is leading the large \$US34 billion Ichthys LNG project under construction in northern Australia, owns a 35 per cent stake in the venture.

The field is one of the few production petroleum ventures that provides revenues for the Timor-Leste government, being located in the Joint Petroleum Development Area, a region of waters jointly administered by Timor-Leste and Australia. According to La'o Hamutuk, a non-governmental organisation that monitors Timor-Leste's development, payments from the venture into Timor-Leste's Petroleum Fund have fallen to about \$US15 million a month, less than a quarter of their level in early 2013 as production declines from its peak in January 2013. Production is due to end in 2016, the organisation said.

"Impairment tests were conducted on assets related to the Joslyn oil sands project and JPDA06-105 block in the Timor Sea Joint Petroleum Development Area in light of deteriorating market environments based on such factors as the drop in oil prices resulted in the recognition of the impairment losses," Inpex said in a statement late on Monday.

"As the current value of future cash flow generated from these assets is expected to fall below the carrying amount, Inpex will reduce their respective carrying amounts to recoverable amounts, posting the reductions as impairment losses."

*This story was found at: <http://www.smh.com.au/business/inpex-corporation-writes-down-value-of-kitan-oil-field-in-timor-sea-20150324-1m62q0.html>*

This article attributes outdated information to La'o Hamutuk. Average Kitan revenues during 2014 were US\$4.2 million dollars a month, less than one-sixth their level during the previous year. The Ministry of Finance projects that revenues during 2015 will average less than \$2m/month, halving again in 2016 as the field produces its last drops of oil.