



Blackwater project powers ahead

AMBER ATKINSON

WITH more than \$95 million on hand, Bow Energy is successfully geared for an exciting year ahead. Following a smooth capital raising in November and December 2009, the company is now in a position to fund its Blackwater Power project, which will see the construction of a 30 megawatt power station at Blackwater in Central Queensland.

The funds have also secured the Blackwater initial gas field development and reserve upgrade programs across the company's coal seam gas projects. In particular, Bow aims to develop the Don Juan project, which is anticipated to provide significant long-term capital gain for the company, and the Norwich Park project, which is of similar ilk to the Blackwater field. In terms of potential, Bow is hopeful it can double up quite dramatically in potential power generation from its Blackwater and Norwich Park projects.

Geared for growth

Despite heavy rainfall in Queensland throughout January, Bow's exploration, appraisal and production drilling programs were only remotely delayed.

Drilling continued at its Blackwater CSG field where the company has significant gas reserves, and its activities in the Norwich Park Block were only temporarily set back.

While the company has only held its Bowen Basin tenements since March last year, it has wasted no time with its plans to get the gas to market.

In December 2009, Bow signed a contract with Clarke Energy for the design and construction of the 30MW power station at Blackwater.

"We've signed and committed to construction which is scheduled to start civil works in May/June of this year," Bow Energy CEO John De Stefani said.

"It's a fairly short time frame in terms of construction and the commissioning should begin in the early part of next year."

The Blackwater Power project will utilise very small gas engines that convert the gas straight from the well directly into to the power station, which is ideal for CSG and also for the environment.

"You don't need any compression, because they are low pressure gas engines," Mr De Stefani said.

"Essentially they are very green in terms of you don't need a lot of infrastructure to actually get the gas converted into electricity and hence there's not a lot of other activity – you throw the gas in, produce electricity and you're away."

The power station is expected to require around two petajoules of gas per annum, which will be supplied by Bow's nearby Blackwater CSG field, containing 1340PJ of 3P reserves certified to date.

"We're obviously pushing ahead to convert that to 2P gas over time – so it represents a small amount but very, very good in terms of power generation that's close to your field – that's where you get the best economics," Mr De Stefani said.

The project, which is targeted for completion in the first quarter of 2011, is expected to create up to 200 jobs, with further staff required for operation and

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Drilling for gas at Bow's Don Juan project

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maintenance once it is completed.

In the meantime, Bow is continuing with its 2P reserve program, and has six wells completed and three wells left to construct before it completes its initial program.

Mr De Stefani said that plans are well under way to pilot production wells and get flow rates out of the field.

"From there onwards it will be production holes for the power station," he said.

"We're confident that based on what we've done to date, that we can get that across the line, based on the foundation of having a great off-take."

Don Juan CSG project

Less than two years ago, Bow secured joint-venture acreage with Victoria Petroleum in what is known as the Don Juan project.

The project involves two tenements, ATP 771P and ATP 593P, in the western Surat Basin, roughly 40km north of Roma.

Bow originally farmed into Victoria Petroleum's acreage as operator and eventually went on to take the lead in terms of the exploration and production.

To date, eleven wells have been drilled over the two tenements and results from these have indicated that the area with the highest potential is in the southern central part of ATP 771P licence area.

Through the middle part of this year, Bow will target a number of wells in the area and expand its exploration in what is essentially a western extension.

However, with the company's attention focused on high end results at its Blackwater and Norwich Park projects, Don Juan has grown to be more of a second tier project.

Mr De Stefani said that although the Don Juan project would be "a good little money earner" for the company over time, at the moment Bow was focused on the high end resource at Blackwater.

The sale of power

Electricity sales from the power station at Blackwater will provide Bow with ongoing cash flow while the company tests its field for larger gas markets.

It plans to convert the field through the reserve program to increase its supply of 3P which, once converted to 2P, will ready the company for off-take arrangements.

Mr De Stefani said that Bow will initially

focus on localised power generation, after which it hopes to expand into bigger power generation sets in Blackwater.

The company then plans to get its gas to market elsewhere and capitalise on the demand for LNG in Gladstone.

"Over the course of this year we'll be pushing hard to secure that gas in some shape or form of an off-take agreement," Mr De Stefani said.

"We're yet to sign anything and discussions are starting but we wanted to actually get comfortable about the field and how that would transpire in terms of reserves."

The company expects to have wells with a 15-20 year life cycle and subsequently gas off-take arrangements are expected to be in the same vicinity.

The export market, driven by numerous proposed export LNG facilities in Gladstone, also provides a significant opportunity for the company.

"What we're finding at a commercial level is that a lot of the big demand users of gas domestically can't get long-term agreements with the majors because they are all tying their gas up for LNG, so we see a good opportunity for us, particularly this year as the Gladstone projects head toward their final investment date," Mr De Stefani said.

"We think we're in a good space, at the right time, that we can lock in some value for the business over a 15-20 year type contract."

History

Bow was awarded its Bowen Basin tenements through the State Government's land release in 2008.

"We put in, as part of a tender process with the other major CSG companies, and were the preferred tenderer," Mr De Stefani said.

"We particularly liked Bowen in terms of the high potential that was there and now for commercial reasons it's very attractive in terms of getting gas into Gladstone for the LNG plants that are proposed there now."

While the company was originally geared towards oil, over time its directors were drawn to the potential of CSG.

Later in 2008, when the company realised the opportunity to target acreage near the land it had already secured, it decided it was a great opportunity to expand the business.

Since then, Bow has evolved into a CSG business concentrating on the exploration and appraisal of CSG and oil exploration within Queensland.



Coal seam gas drilling