INTERVIEW-Bow Energy says targeting gas sales in 2010

* Says looking to seal gas offtake agreements in 2010
* Focusing on increasing its gas reserves
* Says may become a takeover target, no offers yet

By Fayen Wong

PERTH, May 7 (Reuters) - Bow Energy Ltd <BOW.AX> is looking to ink its first gas sale agreement by as early as next year once it proves its gas reserves, even though the Australian coal seam gas minnow may fall prey to consolidation in its sector.

The company has begun preliminary talks on the sale of its gas with potential buyers, its chief executive said on Thursday, and hopes to target energy majors scouting for additional gas to underpin their proposed liquefied natural gas (LNG) projects in the northeastern state of Queensland.

"We are in early talks with potential buyers but we are not going to commit to sales until we achieve sizeable reserves, otherwise we'll give away significant value," John De Stefani, chief executive commercial of Bow, told Reuters in a telephone interview.

"If all goes to plan, offtake agreements could happen around 2010."

Brisbane-based Bow, which has about 105 petajoules (PJ) of proven, possible and probable (3P) gas reserves at present, last month upped its target for 3P reserves to 750 PJ by the end of this year and 1,900 PJ by 2010. 1 PJ is equivalent to 1,015 joules.

As many as seven proposed LNG projects in Queensland, including those led by energy majors such as BG Group <BG.L> and ConocoPhillips <COP.N>, are vying to boost their coal seam gas reserves to support ambitions to build a gas export facility at the port town of Gladstone in Queensland state.

The sector has become Australia's hottest energy play, with global players, including Malaysia's Petronas [PETR.UL] and Royal Dutch Shell <RDSa.L>, pouring about A$22 billion into Australia's coal seam gas companies since last year to secure reserves to feed a global rise in LNG demand.

Following recent acquisitions of mid-sized coal seam gas producers by global firms, Bow is one of a few remaining independent coal seam gas firms with uncontracted gas resources.

Given the proximity of its coal seam gas acreage to the proposed LNG sites and its ambitious reserves certification target, Bow has caught the attention of investors and sparked speculation it may be the next takeover target.

Shares in Bow, which has a market value of A$250 million ($185.7 million), have surged about three and a half times since the start of the year to A$1.23 each.

De Stefani said it was possible that Bow could become a takeover target later, once it had proved more reserves, but it had yet to receive any informal or indicative interests.

"We want to head down the track of being a gas supplier to the LNG projects in Gladstone. The focus for now is to keep our heads down, concentrate on the drilling programmes and prove those reserves," he said.

Bow, which also has interest in several oil acreages in Australia, said one of the wells operated by Santos Ltd <STO.AX> was expected to begin production by around July, which would help generate cash in the short term to support its coal seam gas exploration.

The firm has about A$200 million in cash and this month raised about A$8 million from an underwritten rights issue.

($1=A$1.346)

(Editing by Ben Tan)

((fayen.wong@thomsonreuters.com; +618 9456 1947; Reuters Messaging: fayen.wong.reuters.com@reuters.net))

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