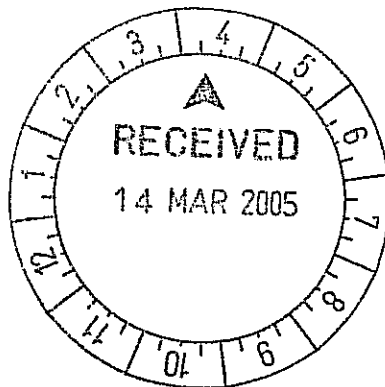


By Courier



BHP Billiton Petroleum Pty Ltd  
ABN 97 006 918 832  
Level 42, 152-158 St Georges Tce  
Perth WA 6001 Australia  
GPO BOXJ668  
Perth WA 6001 Australia  
Tel +61 8 9278 4888 Fax +61 8 9278 4899  
bhpbilliton.com

11 March 2005

Mr Lyndon Rowe  
Chairman  
Economic Regulation Authority  
Level 6 Governor Stirling Tower  
197 St Georges Terrace Perth WA 6000

Dear Sir

**Proposed Revised Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline**

BHP Billiton Petroleum ("BHPBP") is pleased to make this submission to the Economic Regulation Authority ("ERA") regarding the proposed revisions to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline ("AA"). We have restricted our comments to the Gas Specification for AA.

BHPBP has interests in Exploration Permits, Production Licences and a Retention Lease in the offshore North West Shelf and Exmouth sub-basin areas (excluding BHPBP's involvement in the North West Shelf Joint Venture). BHPBP, as operator of a number of joint venturers, has active exploration programs, development projects and production operations in progress. While the exploration focus for BHPBP has been on liquid hydrocarbons, all such potentially exploitable discoveries (except one) have been accompanied by varying quantities of gas cap and solution gases (associated gas). The exception noted above, is the Macedon Gas Field, a large gas only resource.

BHPBP has had a close association with the Western Australian domestic gas market since 1994 when the Griffin field commenced production of associated gas which is sold into the Western Australian market. That association has increased with marketing work carried out in respect of the potential placement of associated gas from the Stybarrow and Pyrenees oil developments and the commercialisation of the Macedon Gas Field. While marketing of associated gas is quite different to the marketing of a gas development, the impact of gas quality specifications is essentially the same for each of these 2 gas types, namely:

For associated gases:

- the impact of gas quality specification is one ultimately of value:
  - if this gas is to be sold, i.e. there is a suitable buyer the resulting price is typically at the lower end of the value chain;
  - if the costs, including the high cost of treatment relative to the quantity to be treated, exceed the cost of other disposal alternatives, the sale alternative will not be pursued;
  - this gas is a by-product of the oil development project and must be handled in an environmentally and regulatory satisfactory manner;

A member of the BHP Billiton group  
which is headquartered in Australia  
Registered Office: 180 Lonsdale Street  
Melbourne Victoria 3000 Australia  
ABN 49 004 028 077  
Registered in Australia

- this gas is almost always a net cost to the oil development project; and
- this gas is attractive to large gas consumers able to manage its unattractive market characteristics, eg, peaky, variable, unpredictable, unreliable, and uncertain.

For gas only developments:

- the impact of gas quality specification is ultimately one of cost input;
  - development will only proceed when there is sufficient market demand such that the price the market is prepared to pay, provides the producer with an acceptable return on its investment; and
  - if (all) costs are too high, development will not occur, gas price being set by the market supply/demand balance.

Hence the gas quality specification directly impacts on value and the cost input of gas able to be supplied into the market; the tighter the gas quality specification, the greater the cost to meet that specification, the less gas that is available and/or its value.

BHPBP also considers that all gas quality criteria ought to be driven by technical factors, not commercial. The limits of all criteria ought to be set only after study has clearly and demonstrably shown the need and level of such limit. For instance, limits pertaining to LPG content were initially set to underwrite a commercial LPG extraction plant in the Perth Metropolitan area. There is no justification to retain the LPG criteria that clearly penalises gas sources deficient in LPG's (Macedon). Other specification criteria were identified in the 1995 Report of the Office of Energy entitled "Review of the Gas Quality Specification for the Dampier to Bunbury Natural Gas Pipeline Western Australia", (Broadest Specification) that could be widened without interfering with the integrity of the DBNGP.

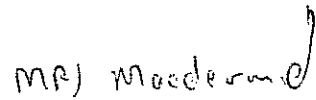
In summary, the availability of associated gas streams and gas from Macedon-like gas developments bring a number of benefits to the Western Australian domestic gas market including:

- the former provides a particular segment of the market with a lower priced, albeit short – lived source while the latter provides increased choice of gas supply source to the whole market of a competitively priced gas source.
- the former provides the market with a gas source that would otherwise be potentially never made available again, while the latter provides a measure of supply security to the market being a dedicated additional domestic gas supply source.
- both gases support the provision of infrastructure for additional domestic gas supply hubs, thereby increasing the ability of third party producers to explore and develop oil (and gas fields) in the vicinity with the knowledge that the sale alternative for associated and gas only developments, has been enhanced.

We believe the continuation of any unnecessary or overly restrictive gas quality criteria in the DBNGP will negate the above benefits and similar benefits that would be derived from further hydrocarbon fluid discoveries.

Both competition between gases and the availability of lower priced gas streams will be enhanced by the removal of or widening of gas quality criteria (Broader Specification) that apply to gases seeking entry into the DBNGP.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "MRJ Macdermid", with a stylized flourish at the end.

**Michael Macdermid**

Commercial Manager - Upstream