

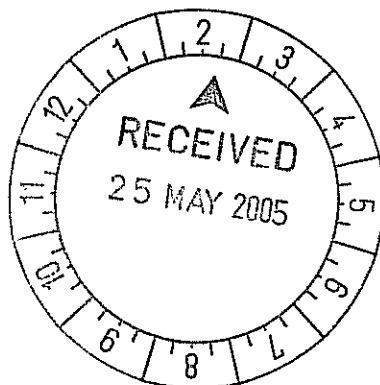


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By Courier



25 May 2005

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

Dear Sir

**Draft Decision on the 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) in relation to the Draft Decision on the proposed revisions to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (AA).

BHPBP applauds the ERA for its requirement that the Operating Specification for gas quality in the proposed AA be broadened, and for that change to apply from the time the proposed AA comes into effect. Such a change will positively impact on the viability for commercialising otherwise marginal gas resources that could be directed to the Western Australian domestic gas market. However, the extent of the broadening of the gas quality specification, whilst most welcome, will continue to impede the development of the largest undeveloped gas resource in Western Australia (specifically directed to the domestic market) outside those held by the North West Shelf Joint Venture, and for its direct access to the DBNGP. We are, of course, referring to the Macedon Gas Field, and we provide some of that field's particular peculiarities below.

Of particular concern is the gas quality specification relating to the minimum Higher Heating Value, where the Draft Decision only reduces the limit from 37.3 to 37.0 MJ/m³. However, with Macedon Gas having a Heating Value of approximately 36.5 MJ/m³, the gas will continue to be automatically devalued to 'interruptible' gas value, as it will always have to rely on there being a blending window available for it to gain access to the DBNGP. Fortunately, the changes required by the ERA to the Operating Specification for gas quality, mean that Macedon Gas will otherwise meet all the other gas quality limits, albeit sometimes at the limit. Macedon Gas is very dry (no liquids), has a high methane content, high Nitrogen content, low Carbon Dioxide content, low Heating Value and a consequential low Wobbe Index. For your information and reference, Macedon Gas compositional analysis and the determined properties are shown below, along with the broadened gas quality specification referred to in the Draft Decision;

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	Macedon	AA Broadened Gas Quality Specification
Gas Component (Mole%)		
Nitrogen	5.34	n.a.
Carbon Dioxide	0.38	4.0
Methane	93.85	
Ethane	0.41	
Propane	0.01	
Octanes plus	0.01	
Heating Value	35.68MJ/m ³	37.0 (min)
Wobbe Index	46.77 MJ/m ³	46.5 (min) to 51.0 (max)
LPG Content	0.012 Tonnes/TJ	n.a.
Total Inert Gases Content	5.72%	7.0

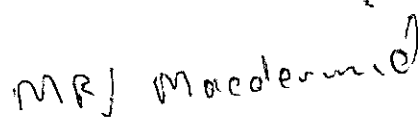
BHPBP offers the following additional specific comments related to the Macedon Gas composition and impositions that gas quality specifications have had in deliberations regarding the potential development of the Macedon Gas Field;

- With Macedon Gas having virtually no LPG content, its development would have always suffered from the financial burden of an LPG penalty so long as the LPG gas quality specification remained in place. BHPBP especially welcomes the removal of this 'commercial' gas quality specification.
- The total inert gases content of Macedon Gas is now comfortably within the ERA's broadened gas quality specification requirement.
- The Wobbe Index of Macedon Gas is at the Minimum Wobbe Index of ERA's broadened gas quality specification requirement. BHPBP acknowledges the rationale that the ERA has used in arriving at the level of 46.5 MJ/m³, however BHPBP requests that the ERA further lowers the minimum Wobbe Index limit to 46.0 MJ/m³; the level flagged to industry in the "broadest specification" contained within the Dampier to Bunbury Pipeline Regulations 1998. The basis for BHPBP's position is that all objections to the widening of the gas quality specification to the "broadest specification" contained within the Dampier to Bunbury Pipeline Regulations 1998, have been identified, assessed and most satisfactorily addressed in the ERA's Amended Draft Decision of 11 May 2005.
- Similarly, BHPBP urges the ERA to retain the existing Maximum Wobbe Index limit of 51.5 MJ/m³. The existing limit has been in use for the entire operating history of the pipeline. Lowering that limit (to 51.0 MJ/m³) has the potential for some gas supply sources having to incur processing costs to remove heavier hydrocarbon components – an unnecessary expense.

- The heating value of Macedon Gas remains significantly outside the ERA's broadened gas quality specification requirement. As with the comment and reasoning above on Wobbe Index, BHPBP requests that the ERA further lowers the minimum Higher Heating Value to 35.1 MJ/m³, the level flagged to industry in the "broadest specification" contained within the Dampier to Bunbury Pipeline Regulations 1998. If the minimum heating value gas quality specification remains at 37.0 MJ/m³, the market value of gases such as Macedon are significantly marked down, possibly to the extent that their development will continue to be impeded. BHPB sees no benefit in not moving immediately to the "broadest specification" contained within the Dampier to Bunbury Pipeline Regulations 1998. Rather, BHPBP sees an inconsistency in having a gas quality regime where a gas can satisfy the Minimum Wobbe Index yet fail the Minimum Higher Heating Value limit.

We believe the continuation of any unnecessary or overly restrictive gas quality criteria in the DBNGP will negate, in large measure, the benefits that would have accrued from the changes in gas quality requirements that the Draft Decision offers. Competition between gases and the availability of low priced (in fact, any) gas streams will be enhanced by the removal of or widening of gas quality criteria that apply to gases seeking entry into the DBNGP. In BHPBP's view, the appropriate gas quality criteria is represented by the "broadest specification" contained within the Dampier to Bunbury Pipeline Regulations 1998.

Yours sincerely,

A handwritten signature in black ink, appearing to read "MRJ Macdermid". The signature is written in a cursive, slightly slanted style.

Michael Macdermid
Commercial Manager - Upstream