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HEADLINE: New gas reserves found in East Sea

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BODY:

Additional gas reserves near the Donghae-1 gas field off Korea's east coast have been found, officials at Korea National Oil Corp. said yesterday.

The state-run company estimates the new reserves hold about 800,000 metric tons of natural gas worth \$280 million. The new reserves are located about 5 kilometers southwest of the Donghae-1 gas field, Korea's first offshore gas field 58 kilometers off the industrial city of Ulsan.

Since late last year, Korea National Oil has been tapping areas near the Donghae-1 field for evidence of more natural gas and the discovery is the fruit of that effort. The exploration project was code-named Gorae VIII-1.

The company plans to develop it in conjunction with the Donghae-1 gas field, with commercial production expected to start in December, 2007.

Officials added the company plans to conduct more drilling in two or three places on the continental shelf to secure additional gas resources.

"Korea National Oil has found natural gas in three of six explorations since 1998. The 50 percent success rate is very rare in the industry and shows the company's technology in oil development has reached world standards," a company press release said.

The Korean government first detected the potential for natural gas in the East Sea in 1998, leading to the setting up of a production plant four years later. Commercial gas production at Donghae-1 began in November, after it test operations yielded the first result in July.

The Donghae-1 gas field, considered a milestone in Korea's ability to develop natural gas, is expected to produce about 400,000 tons of natural gas annually for Ulsan and its surrounding area for 15 years. That would save Korea, the world's second biggest buyer of liquid natural gas, \$1.2 billion annually in imports.

Korea Gas Corp., the sole buyer and distributor for Korea National Oil, agreed in July to buy about 5 million metric tons of natural gas from the Donghae-1 field over 15 years.

Korea, the world's fourth-largest oil importer, is faced with a pressing need for more energy sources as demand grows. The urgency has prompted the Korean government to increasingly seek partnerships to produce oil from overseas sites in recent years.

Korea's demand for LNG is forecast to rise 5 percent a year over the next decade.

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