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Origin flagship Australia Pacific LNG faces legal challenge by **Tri-Star** over CSG rights

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Origin Energy's flagship Queensland coal seam gas venture is facing a legal challenge from the Texas company that sold it acreage 12 years ago, over rights to large chunks of its CSG resources.

Privately owned Tri-Star Petroleum started proceedings in the Supreme Court in Queensland on Tuesday, arguing that under a deal struck in 2002, interests in more than 60 CSG licences held by Australia Pacific LNG should be passed back into its ownership.

Origin disagrees that the conditions that would see the gas revert back to Tri-Star have been met. In dispute are interests in some of the key CSG fields that will supply gas to Origin's \$24.7 billion APLNG project, which is due to begin production in mid-2015.





“We will review and respond to these proceedings in due course,” says Origin chief Grant King. **Photo: Daniel Munoz**

They include 45 per cent stakes in fields in the pivotal Fairview and Walloon project areas, among others.

The issue of Tri-Star’s so-called “reversionary rights” over the CSG assets were a point of dispute in the \$14 billion takeover feud between Origin and rejected suitor BG Group in 2008.

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Origin chief executive Grant King has always played down the impact of the rights, once saying he did not expect the reserves to ever revert to Tri-Star. “Origin is confident that reversion has not occurred,” a spokeswoman said on Tuesday. “We will review and respond to these proceedings in due course.”

Decision not taken lightly

Tri-Star president James Butler Jr said the company had “not taken this decision lightly” to pursue legal action in the courts. “We have been in discussion with

APLNG for many years over these matters and have been unable to reach an agreement," he said.

Under the 2002 deal, 45 per cent of Tri-Star's rights to the CSG projects revert to the US player once benefits to Origin and its affiliates exceed agreed development costs.

Tri-Star is arguing that threshold has now been crossed after the \$9.6 billion deal that brought ConocoPhillips into APLNG in 2008, the \$US2.86 billion deal to bring in Sinopec in 2012, and a 20-year LNG supply deal in 2012 with Kansai Electric Power.

Origin takes the view that those deals are not relevant to the reversionary rights.

Tri-Star is asking the court to rule whether these amounts are relevant when calculating the date for the rights over the CSG resources to revert. Tri-Star contends that the trigger for reversion could have been met in October 2008, otherwise in February 2012. It wants the court to order APLNG to pay Tri-Star a vendor royalty, other payments and damages for breach of the 2002 deed.

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