SWIFT ENERGY NEW ZEALAND LTD.

17 JUN 2003

16 June 2003

Mr J Belgrave
Chair
Commerce Commission
PO Box 2351
WELLINGTON

Dear Mr Belgrave

Gas Pipelines Inquiry - Response to Commission's Request for Comments

1. We refer to the press release by the Commerce Commission on 29 May 2003 in which the Commission called for submissions in relation to aspects of the Inquiry into gas pipeline (transmission and distribution) services.

2. Firstly, by way of background, we note that Swift Energy New Zealand Ltd is a wholly owned subsidiary of Swift Energy Company, a US company based in Houston, USA and listed on the New York Stock Exchange. In terms of its New Zealand operations, Swift Energy New Zealand Ltd holds interests in a number of oil and gas permits and is the 100 % owner and operator of producing assets in the TAWN, Rimu and Kauri areas. Swift operates and manages multiple well sites and two production facilities located at Waihapa (east of Stratford) and Rimu (south of Hawera).

3. Upon reflection Swift Energy has some comments to make in relation to particular aspects of the inquiry, which Swift believes should be raised sooner rather than later.

Liquified Petroleum Gas (LPG) Distribution and Transmission Issues

4. In Swift's view, it is important that LPG is seen as "gas" and is thus within the scope of your inquiry.

5. LPG is a significant by product of oil and gas production. Annual production of LPG in New Zealand is approximately 205,000 tonnes (*Source: Energy Data File, January 2003 - Ministry of Economic Development*). Of this approximately 75,000 tonnes is used in the North Island, 55,000 tonnes in the South Island and the balance is exported. Approximately 130,000 tonnes per annum is shipped out through the port at New Plymouth, Port Taranaki, both to the South Island and off shore.

6. LPG production is a function of gas demand and is relatively constant month to month. NZ LPG demand however, is cyclical with a significant loading in the winter period as opposed to the summer months (approximately 2:1).

7. The importance of the LPG facilities at Port Taranaki and associated pipelines to oil and gas field operations should not be underestimated. Difficulties associated in marketing LPG, surplus to North Island requirements, inevitably flow back through the supply chain to the oil and gas production fields. In the absence of a market, LPG must either be flared (undesirable and no longer permitted) or oil and gas production from the relevant field curtailed. LPG marketing plays an important role in the development economics for new

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discoveries. It is widely recognised that New Zealand's future gas supplies will come from a variety of smaller fields post Maui. Restrictions on LPG marketing, either real or imposed, will retard the development of these resources.

8. A significant source of LPG produced in New Zealand is that from the Maui field. Currently, there is a transmission pipeline from the Maui Mining Company's production station at Oaonui, which connects Oaonui storage to the storage and distribution facilities at Port Taranaki. Some of the Oaonui storage, the pipeline and storage and offloading facilities at Port Taranaki are owned and operated by Liquigas Ltd.

9. Currently, access to the Oaonui storage, the pipeline and export facilities is not available to parties other than the Maui Mining Companies.

10. Swift Energy notes that it is in discussion with Liquigas regarding access to LPG transmission and distribution systems. Although these discussions were initiated in early 2001, little progress has been made to date. In our view, in order to support the orderly development of New Zealand's oil and gas resource it is important that access to this LPG distribution and transmission system is "open".

11. Open access generates, among other things, issues as to pricing and thus, in our view, should or must fall within the inquiries terms of reference. We believe it would be unfortunate if the gas pipelines inquiry failed to capture Liquigas's LPG transmission and distribution system in light of what Swift sees as the negative impact of closed access and/or the absence of a balanced pricing structure by which an open access regime could be implemented.

12. Naturally, we would be happy to discuss and develop with the Commerce Commission our views as to why LPG and Liquigas's associated pipeline transmission and distribution system should not be overlooked in terms of the gas pipelines inquiry.

Yours faithfully

Chris Bush

Chris Bush
Vice President – Facilities