

## East Timor Bets Big on Gas Field Near Greater Sunrise

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Mon, Apr 28, 2025

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East Timor is betting big that the Chuditch gas field, located south of the Woodside Energy-operated Greater Sunrise project, could improve the economics of the latter and help bring an LNG export project to the shores of the Southeast Asian country.

A key appraisal well, Chuditch-2, is set to be drilled in the Timor Sea during the third quarter following a significant financing and restructuring deal that will see state-backed Timor Gap take a larger stake in the project offshore East Timor, also known as Timor Leste.

The Timorese have long aspired to develop the Greater Sunrise field via a greenfield LNG export facility onshore East Timor. Operator Woodside has previously claimed that the economics do not stack up to develop the project there. However, if more gas is discovered in the vicinity of Greater Sunrise, then the economics could be improved, according to Timor Gap.

The decision by Timor Gap to increase its stake in the Chuditch production-sharing contract (PSC) “appears to be driven more by political consideration than by commercial rationale,” said an industry source. East Timor favors building an onshore liquefaction plant to boost the domestic economy.

Gas production at Chuditch could also potentially lead to a small standalone floating LNG development, or it could be tied into nearby projects, such as Greater Sunrise, or existing LNG trains in Australia, such as Inpex’s Ichthys LNG and Santos’ Darwin LNG.

The Greater Sunrise joint venture comprises Woodside (33.44%), Timor Gap (56.56%) and Osaka Gas (10%).

In February, Timor Gap signed a participation agreement with Eni for a 12.5% interest in exploration Block P, which is adjacent to the Chuditch PSC on the gas migration route from Chuditch toward Greater Sunrise.

## **Chuditch Gas Field**

UK-listed Sunda Energy, which operates the TL-SO-19-16 PSC that holds the Chuditch gas field, reported on Apr. 24 that the probe will be drilled in July or early August.

Located approximately 185 kilometers south of East Timor, 100 km east of the depleted Bayu-Undan field and 50 km south of the Greater Sunrise field, the Chuditch PSC covers an area of approximately 3,571 square km, in water depths of 50-100 meters, and contains the Chuditch-1 gas discovery drilled by Shell in 1998. It was left dormant due to industry skepticism and geopolitical uncertainty.

Following modern seismic interpretation work, Sunda believes the field could be larger than originally thought.

The mean contingent resource is now estimated at 1.2 trillion cubic feet for Chuditch, up from around 700 billion cubic feet previously. Adjacent prospects offer an additional 2.1 Tcf of prospective resource potential. Sunda plans to do a production flow test, which Shell never did, as there was no real gas market in the region in the late 90s.

## **High Stakes for Timor Gap**

Under a farm-in deal, government-owned joint venture partner Timor Gap will increase its stake in the Chuditch PSC from 40% to 70%, while Sunda will cut its share from 60% to 30% but retain operatorship. Timor Gap is responsible for paying 72% of all PSC costs from Apr. 1, including drilling the appraisal well, which analysts expect to cost around \$35 million.

Sunda also said it has conditionally raised up to \$9 million in convertible loan notes from three institutional investors.

Sunda added that several other parties submitted proposals to participate in the Chuditch project, but “these came with commercial terms that were unattractive or conditions that were not acceptable.”

The partnership has been touted as a collaborative stride toward unlocking a nationally significant resource in the Southeast Asian nation, but analysts suggest the arrangement disproportionately favors Sunda while exposing Timor Gap — and by extension, the Timorese state — to significant financial, technical and political risks.

If the well proves to be dry or underwhelming, Timor Gap will face large sunk costs with no return on investment. It's a scenario that could damage the national oil company's financial standing, suggest some industry observers.

Sunda has significantly derisked its involvement but crucially retains operational control, securing an attractive balance of low capital input and high potential reward, the company said.