Peter Williams and Peter Milne

US energy company Hess has put on ice its Equus gas project off the Pilbara, blaming the oil price slump and killing off a potential source of third-party gas for the North West Shelf venture.

Hess said it expected to close its Perth office in the first half of next year, laying off 55 employees and contractors. Staff were informed this week.

The company this year has been working with NWS operator Woodside Petroleum on front-end engineering and design. A final investment decision by NWS on processing Equus gas at the venture’s Karratha LNG plant had been set for next year.

“Hess has decided to put the Equus project on hold,” global communications director Lorrie Hecker told WestBusiness.

“The prolonged low oil price environment means the company has a reduced capital budget from which to fund major projects.”

The US company has been reported by news website Upstream to have cut about 10 per cent of its global workforce to cope with continuing low oil prices.

Equus is located on the western fringes of the Carnarvon Basin and thought to contain about two trillion cubic feet of gas.

Two years ago Hess and the NWS signed a non-binding letter of intent for Equus gas to be toll-treated at the Karratha plant.

It had been proposed that, if developed, the gas field would be connected to NWS’ offshore infrastructure centred around the North Rankin complex. Hess would have marketed and delivered the Equus gas.

NWS has been redoubling efforts to keep the Karratha gas plant full beyond the end of this decade, when the original Shelf fields start running dry.

A Woodside spokeswoman said the company respected Hess’ decision to discontinue FEED work for the Equus permits.

“The North West Shelf project has identified and is pursuing potential opportunities to process gas from other resource owners through existing infrastructure,” she said. Other NWS life-extension projects in development include Greater Western Flank 2, Persephone and Lambert Deep.

Woodside in September struck a $US400 million ($527 million) deal to buy half of BHP Billiton’s undeveloped Scarborough assets held with ExxonMobil in the Carnarvon Basin.

The sale would open up the possibility of piping the field’s gas to Woodside-operated facilities onshore instead of using a floating LNG platform.