

HD **UPDATE: Australia's Woodside raises full-year output target after strong Q3**

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Australia's Woodside Petroleum has raised its full-year **oil** and gas production target by 3% after posting output of 25.2 **million** barrels of **oil** equivalent in the third quarter of 2014, up 7.2% from 23.5 **million** boe in the second quarter and 15.1% higher year on year.

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Woodside's revised production target for this year is 93 **million** to 95 **million** boe, reflecting "continuing strong operating performance across all assets," the **company** said Thursday. The new guidance is up from an original 86 **million** to 93 **million** boe, which was raised to 89 **million** to 94 **million** boe at the end of the second quarter.

Woodside attributed the quarter-on-quarter rise in production mainly to higher LNG and condensate production from Australia's North West Shelf and Pluto LNG, partly offset by lower **oil** output at the **company's** Australian assets. The strong year-on-year increase in output was mostly the result of higher LNG reliability at the North West Shelf and Pluto and the restart of the Vincent FPSO in late 2013, the **company** added.

Woodside's sales volume for the third quarter was 24.5 **million** boe, up 14% from 21.5 **million** boe in the second quarter and 17.2% higher than 20.9 **million** boe in the corresponding period of 2013. Sales revenue for the period was \$1.959 **billion**, marking a 16.7% increase from \$1.679 **billion** in the second quarter and a 46.4% rise from \$1.338 **billion** in the corresponding period a year ago.

"Production and revenue came in stronger than our expectations," **Hong Kong**-based analysts with Bernstein Research said in a note. "Despite the increased production target in 2014, we anticipate that production growth will flatten off in 2015 and the next wave of organic production growth will not come in until 2020."

During the quarter, Woodside signed an agreement with Cheniere **Energy** to **purchase** around 850,000 mt/year of LNG from the second production train at its Corpus Christi liquefaction project in Texas, which is expected to start up in late 2019.

The **company** also had exploration success during the period, with the Toro-1 exploration well in permit WA-430-P off Western Australia intersecting around 65 meters of net gas.

Meanwhile, Woodside has continued to expand its international exploration portfolio, finalizing farm-in agreements with Chariot **Oil & Gas** at the prospective Rabat Deep permits offshore northwestern Morocco and with Beach **Energy** at the prospective Lake Tanganyika Basin in western Tanzania.

The **company** also acquired a participating interest in an exploration, exploitation and production sharing contract for Block F15 in the Gabon Coastal Basin, offshore southwestern Gabon. Subsequent to the quarter end, Woodside agreed with Noble **Energy** and Glencore to farm into the Tilapia production sharing contract off the coast of Cameroon.

Woodside is Australia's second-largest **oil** and gas producer behind BHP Billiton and its biggest LNG producer, via its one-sixth of the North West Shelf joint venture and 90% of Pluto. The **company's** key existing growth opportunity is its operated Browse LNG project offshore northwestern Australia.

The Browse project involves the development of 14.9 Tcf of gas in the Brecknock, Calliance and Torosa fields using three floating production facilities, each with capacity of about 3.9 million mt/year of LNG and 22,000 b/d of condensate. The project is a joint venture between Woodside, Shell, BP, Japan Australia LNG and PetroChina.

During the quarter Woodside concluded basis of design documentation for Browse and continued engineering and non-technical activities. The company is aiming to be in a position to make a recommendation to enter front-end engineering and design late in 2014 and a final investment decision in the second half of 2015.

"The weaker macro environment, increases in US LNG export approvals and Russia gas exports to China make the sanction of Browse FLNG increasingly difficult," the Bernstein analysts said.

"Woodside ... plans to enter FEED in late 2014. We think this will be challenging," the analysts added. "Given Shell's focus on capital discipline and PetroChina being in no hurry following their Gazprom deal, we expect that FEED decision will slip into 2015 and FID will be pushed into mid-2016 at the earliest."

According to the analysts, the company's limited organic growth opportunities before Browse start-up in 2020 will tempt it to look to mergers and acquisitions. "We believe that Woodside will seek M&A for growth with ideal investment size in the range of US\$1 billion to \$5 billion," they said.

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