

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **Apache's \$2b Wheatstone sale whets majors' appetite**
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Apache, the US independent **oil company**, has drawn a wide field for its minority slice in the \$29 **billion** Wheatstone liquefied natural gas project off the coast of Western Australia, with Malaysia's Petronas among a host of international heavyweights eyeing the assets.

As first revealed on Financial Review Sunday, Apache has set a brisk pace on the sell-down, estimated to fetch close to \$2 **billion**, and hopes to complete a deal by the end of the year.

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A preferred candidate is expected to emerge by mid October under the first-past-the-post bidding structure.

According to sources, **Chinese** national **oil** giant PetroChina numbers among the contenders, as does Woodside, and another minority holder in Wheatstone, the Kuwait Foreign Petroleum Exploration **Company**, or KUFPEC. Middle Eastern **energy** investment outfit IPIC is taking a look too, though the **firm** would need to form a partnership to operate Apache's upstream assets. So far 10 parties have signed confidentiality agreements, yielding them access to Wheatstone's data room. On the block are Apache's 13 per cent **stake** in the project as well as its 65 per cent holding in two gas fields in the Canarvon basin, the Julimar and Brunello reserves. The fields account for 20 per cent of Wheatstone's LNG commitments and are expected to unlock 2.1 trillion cubic feet of gas.

Macquarie Group is advising Apache, which is under pressure to sell international projects from an activist shareholder, but declined to comment on the process.

Despite the strong line-up, the Houston-based **company** faces a relatively uphill battle.

For a start, few majors jump at minority stakes in projects led by a rival – in this case Chevron .

Secondly, Wheatstone's gas is largely contracted out to Japanese buyers limiting the upside typically targeted by large **energy** players. That may dilute Woodside's interest given the Perth-based **company**'s preference for growth-generating acquisitions.

It's harder to discount Petronas. The **energy** behemoth's rampant expansion plans may help transform Malaysia into the world's biggest LNG supplier.

Petronas executives jetted into WA's capital recently, although sources claimed the visit is related to meetings on another joint venture, the offshore gas resource, Evans Shoal.

But even with the inclusion of Apache's upstream Wheatstone assets, many view the **sale** as a financial play. This means suitors like the Abu Dhabi-owned investment vehicle, IPIC – Temasek 's LNG subsidiary, Pavilion **Energy**, is also a logical candidate – will base their bids largely on the future direction of **oil** prices.

Asian LNG contracts are tied to this commodity, making them vulnerable to spikes in crude prices.

CO kfpeck : Kuwait Foreign Petroleum Exploration Company | apache : Apache Corp | ptrnas : Petrolia
 Nasional Berhad | kpc : Kuwait Petroleum Corp

IN i13 : Crude Oil/Natural Gas Upstream Operations | i1 : Energy | i1300003 : Crude Petroleum Extraction |
 i1300005 : Support Activities for Oil/Gas | iextra : Natural Gas/Oil Extraction | iioil : Integrated Oil/Gas

NS ceffic : Corporate Restructuring | ccat : Corporate/Industrial News | c11 : Plans/Strategy

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