

SE Business
HD Apache's exit hurdle as oil hits the skids
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Oil's sudden and spectacular collapse has sparked market chatter that Apache's proposed exit from Australia could yet hit a snag.

Under pressure from its own investors to refocus on the supposedly higher-margin US onshore shale business, Apache could run into trouble attracting suitable bids for its WA domestic gas operation and a stake in the Wheatstone LNG operation.

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Apache was yesterday not commenting on the sales process though some insiders have expressed surprise a deal with supposed bid frontrunner Woodside Petroleum has not yet been announced.

As oil and gas stocks led by Woodside endured a second successive day of sharp share price falls, they were joined by copper, nickel, gold and iron ore players on a rotten day for the resources sector as investors worried about Chinese, and therefore global, growth prospects.

Attention is also starting to switch to BHP Billiton, which is already under pressure because of a weak iron ore price — partly because of its own ramp-up of Pilbara volumes at a time of weaker Chinese demand — only for the price of its second-most important commodity, oil, to now also crumble.

The falling oil price — the West Texas Intermediate benchmark slumped to a five-year low below \$US65 a barrel over the weekend — is the result of the Saudi Arabia-dominated OPEC cartel's decision to maintain its oil output, despite the weak price.

The OPEC move is seen as the cartel's intent to protect its market share in the wake of rising shale oil output from onshore US operations, where BHP is one of the biggest players.

BHP petroleum boss Tim Cutt told investors five weeks ago his shale business was "very low on the cost curve".

Investors in Australia's most valuable company are taking a different view, slicing 8.5 per cent or \$8.8 billion from its market capitalisation in the past two trading days.

Woodside has shed \$3.5 billion over two days and Santos \$2.5 billion. It has also been bleak for gold miners led by Newcrest Mining and copper and nickel stocks such as Sirius Resources.

CO wodpet : Woodside Petroleum Ltd | apache : Apache Corp
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