

SE **Lead** StoriesHD **New Pluto pricing helps boost first-half operating revenue for Woodside**

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A new pricing regime for Pluto LNG helped propel Woodside Petroleum's first-half operating revenue to a record \$3.551 **billion**, up 24% on the corresponding period of 2013, the Australian **company** said Wednesday.

Woodside, Australia's largest listed **oil** and gas producer, also had record production of 46.5 **million** barrels of **oil** equivalent, helping it post its highest-ever interim net profit of \$1.105 **billion**.

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The **company**, which operates the North West Shelf and Pluto LNG projects in Western Australia, also reported higher sales volumes, mainly on the back of increased reliability at Pluto and the North West Shelf, and an entire half of production from Western Australia's Vincent **oil** field, which came back online in the fourth quarter of 2013.

"Pluto pricing renegotiation has delivered improved LNG realizations [in the first half] although most of the upside has now been captured in results," **Hong Kong**-based analysts at Bernstein Research said in a note. "Pluto LNG average realized prices improved 18% year on year to \$11.60/Mcf."

Woodside's net profit for the half was 27% higher year on year, the **company** said. The increase was supported by higher prices and sales volumes, lack of impairment losses and lower exploration and evaluation expenses.

Underlying net profit for the half was up 33% on 2013 at a record \$1.136 **billion**.

Record first-half production, which was 11% higher year on year, was "a testament to our assets' ongoing reliability," said Woodside CEO Peter Coleman.

On track for Browse FEED decision

Subsequent to the end of the first half, Woodside has raised its 2014 production target to 89 **million**-94 **million** boe, from the previous 86 **million**-93 **million** boe.

Woodside should produce 92 **million** boe in 2014, Bernstein said. "In our view, production will flatten off in 2015 at 92 **million** boe and beyond," the analyst added.

"Our international exploration strategy is taking shape, with new acreage in Myanmar and our entries into Morocco, Tanzania and Gabon just subsequent to the end of the half-year," Coleman said. "We continue to only pursue those opportunities where we see value for our shareholders."

Woodside has resumed exploration drilling in Australia, making a gas discovery with its Toro-1 well in the offshore Exmouth Sub-basin. Drilling has also begun in the frontier outer Canning Basin off Western Australia, targeting gas prospects of several trillion cubic feet.

The **company** is on track to decide to begin front-end engineering and design for its Browse floating liquefaction project off Western Australia in the second half of this year. The Browse project involves

developing 14.9 trillion cf of gas in the Brecknock, Calliance and Torosa fields using up to three floating production facilities, each with capacity of about 3.9 million mt/year of LNG (182.13 Bcf/yr or 5.16 Bcm/yr of gas) and 22,000 b/d of condensate.

Browse FID slipping: Bernstein

Woodside has said previously that it was targeting a final investment decision on Browse in the second half of 2015, although Bernstein noted signs "that this is slipping." First gas would be expected five to six years after FID, which the analysts are now saying would come in mid-2016 at the earliest.

Woodside would prefer to have heads of agreement on sales for 75-80% of its Browse equity LNG before FID, although that was not a pre-requisite, Coleman told a briefing, adding that "marketing activities are actually progressing pretty well" in the company's target market of Japan.

In British Columbia, the company has signed a sole proponent agreement with the government to access land at Grassy Point to do feasibility studies for a potential liquefaction project.

"With limited organic growth near term, we believe Woodside will be tempted by M&A to boost growth options," the Bernstein analysts said. "Woodside have stated in the investor briefing earlier this year that any investment should be a strategic fit with ideal investment size in the range of \$1 billion to \$5 billion," they added.

Christine Forster

CO wodpet : Woodside Petroleum Ltd

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