

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **Woodside mulls entry in to InterOil's PNG gas project**
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Woodside Petroleum has spent the past 10 years studiously avoiding Papua New Guinea. But that may be set to change given the informal discussions held within the past week between executives at the Perth-based **energy** giant and InterOil's management team, which is headed by former Woodside chief, Michael Hession.

It is understood the talks revolved around acquiring a potential **stake** in the Houston-based **company's** Elk and Antelope gas fields – the largest reserves to have been discovered so far in PNG.

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InterOil has already agreed to sell a majority **stake** in those fields to the French **energy** behemoth, Total SA, in a deal that could be worth up to US\$3.6 **billion**, depending on the precise volume of gas found. That transaction is yet to go unconditional and it is understood Total would prefer to sell down a portion before it enters binder terms. The Australian-listed **company Oil** Search has already displayed interest in snapping up a fraction of the French **company's stake** but sources said negotiations have slowed over recent weeks as the conversations intensify about the price of any deal.

If **Oil** Search is unable to meet Total's terms it seems there are plenty of parties ready to step up to the plate.

Street Talk understands that Santos executives are also beating a path to Hession's door in the hope of gaining a foothold in the PNG project.

Any sell down by Total needs approval from Inter **Oil**, considering its 33 per cent **stake** in the gas fields. Given the demands from its own share holders the **company** may be loath to offload any more of its share of Elk and Antelope, unless the bidder offered a lofty price.

But if Hession was to usher Woodside and Santos in the direction of Total, **Oil** Search could be in for some stiff competition. Total is thought to be unenthusiastic about signing up to a large financial exposure in PNG – a costly and unpredictable territory.

Selling a slice to **Oil** Search not only allows Total to take money off the table, the cash could be used to mop up minority owners in Elk and Antelope, who own 20 per cent of the reserves. That in turn would benefit InterOil as one eliminating the minorities is also one of the preconditions to the Total joint venture.

Elsewhere, Russell Keating has been promoted to head of metals and **mining** at Citi after Paul Harris left the **firm**. Keating had a productive 2013, working on about \$2 **billion** of deals. The deals included **China** Moly's **acquisition** of Rio Tinto's **stake** in the Northparkes **copper** mine and a sell-side role advising BHP Billiton on the Pinto Valley **sale**.

CO fdp : Total SA | wodpet : Woodside Petroleum Ltd | gshaf : InterOil Corporation

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