

# FINANCIAL REVIEW

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HD **Oil Search disputes InterOil deal**  
BY Angela Macdonald-Smith  
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The battle for control of the large Elk-Antelope natural gas resource in Papua New Guinea has reached new heights with **Oil Search** formally disputing a deal completed this week by InterOil to sell a **stake** in the field to French **oil** giant Total.

**Oil Search** said on Friday it had issued a "notice of dispute" to InterOil under the joint-venture operating agreement for the PRL 15 joint venture in which the two have stakes.

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It is legally questioning US-listed InterOil's rights to assign a 40.1 per cent interest in the Elk-Antelope venture in the PRL 15 permit to Total.

That deal was rushed through on Wednesday after InterOil structured a transaction under which Total would be buying a newly formed corporate entity that held the 40.1 per cent **stake**, and so circumvented pre-emptive rights that **Oil Search** held through its corporate \$US900 **million** (\$970 **million**) **acquisition** three weeks ago of another shareholder in PRL 15.

**Oil Search** managing director Peter Botten had on Wednesday already voiced doubts about the validity of the InterOil-Total deal, and said lawyers were studying the terms to ensure the **company's** rights were protected.

InterOil said on Friday it would "strongly defend" any legal action by **Oil Search** seeking to void the deal.

Adding further intrigue to the situation is talk that ExxonMobil, operator of the \$US19 **billion** liquefied natural gas venture under construction in PNG, made a last-ditch attempt this week to foil the Total deal, lobbying a higher offer for the **stake** with InterOil.

The wrangling over Elk-Antelope, which is thought to hold at least 7 trillion cubic feet of gas, has its origins in the pivotal part the gas field will play in the next phase of development of the LNG sector in PNG. Total wants to use the Elk-Antelope gas for its own LNG project in PNG, separate to the \$US19 **billion** project being built by ExxonMobil.

But Exxon and **Oil Search**, a partner in PNG LNG, want to use the gas for an expansion of their project.

InterOil chief executive Mike Hession defended the process that led to the deal with Total. In **Hong Kong** this week Dr Hession said InterOil held "an open and transparent bidding process" for the **stake** in Elk-Antelope, and said InterOil had selected the "best value" offer.

RBC Capital Markets analyst Andrew Williams said his key concern was that the legal dispute over the gas would slow drilling planned at the Elk-Antelope fields this year. "My concern is not who ultimately ends up owning that interest. The great risk is you don't do the drilling you need to do to prove up the resource."

**CO** fdp : Total SA | oisa : Oil Search Ltd | gshaf : InterOil Corporation

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