

SE Asia Pacific
HD **Record output buoys Woodside's result**

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Aided by Pluto price renegotiations, higher sales from Vincent

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

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The **company**, which is the operator of the North West Shelf and Pluto LNG projects in Western Australia, also reported record operating revenue for the first six months of 2014, at \$3.551 **billion**, up 24% on the corresponding period of 2013.

The increase reflected higher realized prices due to the transition to a new pricing regime for Pluto LNG and higher sales volumes, mainly on the back of an entire half of production from Western Australia's Vincent **oil** field, which came back online in the fourth quarter of 2013, and increased reliability at Pluto and the North West Shelf.

"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 \$11.6/Mcf."

Woodside's net profit for the half was 27% higher year on year. The **company** said the rise was supported by higher prices and sales volumes, the 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**.

The record first-half production, which was 11% higher year on year, was "a testament to our assets' ongoing reliability," according to Woodside CEO Peter Coleman. Subsequent to the end of the first half, Woodside has raised its 2014 production target to between 89 **million** boe and 94 **million** boe, from the previous 86 **million** boe to 93 **million** boe.

Bernstein expects Woodside to produce 92 **million** boe in 2014.

"In our view, production will flatten off in 2015 at 92 **million** boe and beyond," the analysts added.

International strategy

Coleman said the **company**'s 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."

"We continue to only pursue those opportunities where we see value for our shareholders," he said.

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 multi-Tcf gas prospects.

Meanwhile, Woodside said it was on track to make a decision to move into the front-end engineering and design phase for its Browse floating LNG project off Western Australia in the second half of this year. The Browse project involves the development of 14.9 Tcf 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 and 22,000 b/d of condensate.

Woodside has said previously 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 tipping will come in mid-2016 at the earliest.

Coleman said in a briefing that 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 prerequisite. He added that "marketing activities are actually progressing pretty well" in the company's target market of Japan.

Elsewhere, the company has signed a sole proponent agreement with the government of British Columbia, to access land at Grassy Point to undertake feasibility studies for a potential LNG 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."

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