Australian Financial Review
Friday 19/1/2007
Page: 67

A tantalising view of Pluto

ANALYSIS
Stephen Wisenthal

Liquefied natural gas has always been the playground of big oil.

Woodside Petroleum is probably only in the game thanks to its longtime involvement with 34 per cent shareholder Royal Dutch Shell.

But now the Australian company, which fended off a takeover bid from Shell in 2001 with a little help from the federal government, has grown big enough to stand on its own in LNG markets.

And that is why investors are only mildly concerned about the progress of troubled oil projects such as Enfield off the coast of Western Australia, or Chinguetti in the ocean off the west African country of Mauritania.

Perhaps the key message in the densely packed quarterly report Woodside put out yesterday is three paragraphs on the Pluto LNG project off the WA coast.

The company hasn't narrowed down the cost estimate from the range of $6 billion to $10 billion it gave in November.

But it says it's on schedule to make first deliveries to Japanese customers Tokyo Gas and Kansai Electric by the end of 2010 – just five years after the Pluto field was discovered.

The plan is to make a final investment decision by the middle of this year, retaining 100 per cent of the project.

A go-ahead will trigger a 35 per cent leap in Woodside's reserves (an extra 435 million barrels of oil equivalent), or 50 per cent if the company finds customers by then for the uncontracted gas in Pluto and the nearby Xena field.

That sort of expansion is usually associated with oil juniors, not $25 billion companies.

"Investors are looking at Woodside as a growth stock."

''Investors are looking at Woodside as a growth stock,'' UBS senior energy analyst Gordon Ramsay said.

But Woodside is not going into Pluto unprepared. It is in the middle of the $2.4 billion fifth ''train'', or processing plant, at the North-West Shelf project.

The expansion is the first LNG plant to be built with such extensive use of pre-assembled modules brought in from fabrication yards across Asia.

The new technique means a smaller workforce is required, compared with the number of staff needed for the ''stick build'' creation of most of the major structures at the remote plant site on the Burrup Peninsula, as was done for the first four trains.

Woodside is managing the development, but has just a 16.7 per cent stake in the project, meaning its partners in the North-West Shelf, including Shell, BP, BHP Billiton and Chevron are taking most of the risk.

But when it builds the Pluto LNG plant, taking advantage of all the lessons learned in Train 5, it will have a 100 per cent stake in the development.

Woodside then plans to carry those lessons on to other LNG developments, including potential projects in the Browse Basin, off WA's north coast, and at Sunrise in the Timor Sea.

Managing director Don Voelte told investors in November, at the company's annual briefing, that this made Woodside unique, as an opportunity to invest directly in the LNG industry.

PUMP IT UP

Woodside revenue for 2006 $m