

Woodside higher costs possible

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OIL and gas producer Woodside Petroleum has hinted that construction of a fifth LNG supply train at the North West Shelf Venture may be facing its second cost overrun.

The original price tag of the expansion was \$2 billion but soaring industry costs prompted Woodside to revise that figure to about \$2.4 billion last September.

Woodside chief executive Don Voelte yesterday indicated the company would need to put forward its best performance to complete the expansion at \$2.4 billion.

"A long time ago we announced a 20 per cent overrun," Mr Voelte told reporters in Perth after the company's annual meeting.

"In this day and age and what we are getting for LNG contracts, if we can get that thing in for 20 per cent it's the best project we have probably done.

"We're scratching and clawing -- don't know where the true cost is going to come out but we are still projecting 20 per cent or thereabouts."

The fifth train is due to be completed in mid-2008, and will add 4.2 million tonnes of production capacity, taking total production to 15.9 million tonnes.

Woodside is the operator of the venture, which has five other participants -- BHP Billiton, BP Developments Australia, Chevron Australia, Japan Australia LNG and Shell Development (Australia).

Mr Voelte told shareholders Woodside would continue to focus on its three core areas -- Australia, the United States and Middle East-Africa -- but indicated non-strategic assets would be sold off.

Recent media speculation suggested Woodside might be assessing whether to sell its troubled Mauritania assets, which have not lived up to expectations, suffering a significant cut in reserves and lower than anticipated output since it began production early last year.

"Every asset in our company is for sale . . . except our base LNG assets which are the foundation of our company," Mr Voelte said. "The foundation of our company is LNG, it's North West Shelf, it's Pluto, it's Browse, it's Sunrise (in the Timor Sea)."

Woodside is looking to bring five projects online over the next 18 months. Its shares closed down 60c at \$38.55. - AAP