

Shell back in exploration mode in Browse Basin

Report Stephen Wisenthal

Oil giant Shell has more than doubled its staff in Perth to 200 in the past 18 months as it returns to active exploration in Australia, starting with the 12-well program that won it the F-Block exploration lease in the Browse Basin last year.

The exploration and production division, which owns a sixth of the North-West Shelf liquefied natural gas project and 34 per cent of Woodside Petroleum, led Shell's Australian division to a 36 per cent profit lift to \$1.7 billion, before interest and tax in 2006.

Capital spending in the upstream business rose to \$654.7 million, more than four times the level in 2004, as Shell contributed to the fifth production train at the North-West Shelf and ramped up exploration.

"Increasingly in Australia, Shell's business is weighted towards the upstream," Australia

chairman Russell Caplan said.

The company was happy with the performance of Woodside, which has become a bigger rival to Shell in the six years since Treasurer Peter Costello blocked its plans to take a majority stake.

"We're very pleased to be a 34.27 per cent owner of a company that's performing so well," Mr Caplan said.

"More power to Woodside to get on and do all the things it's planning to do."

The downstream refining and marketing business posted a profit before interest and tax of \$398 million, up from \$300 million the year before and \$43.5 million in 2004. It was now mainly a wholesaler to Coles Group, which bought the retail petrol outlets from Shell in 2003.

"We've seen very strong refiners' margins," Mr Caplan said. But the difference between the cost of crude and the price

of the refined products it produced would narrow once new refining capacity was built in the next few years.

Shell's two Australian refineries – at Geelong in Victoria and Clyde in western Sydney – were small by global standards, and the company would have to review whether to switch that capacity overseas when they next came due for a substantial upgrade or replacement of a major piece of equipment.

Shell was still assessing the results of the first well drilled in its F-Block lease, or WA-371-P, it secured in January last year, the chief operating officer of Shell's Australian upstream operation, Chris Gunner, said.

The field is near the Ichthys field where Inpex of Japan plans to develop a \$US6 billion (\$7.2 billion) LNG project.