

Dry well forces wider search

Jamie Freed

November 22, 2007

WOODSIDE Petroleum will have to broaden its search for gas to fill a proposed second processing train at its \$12 billion Pluto liquefied natural gas project after an important target came up dry.

The Belicoso well, wholly owned by Woodside, had targeted 500 billion to 1.5 trillion cubic feet of gas in an area 180 kilometres north-west of the Pluto field offshore Western Australia.

Although Belicoso alone would not have been enough to fill a second train, ABN Amro analyst Aiden Bradley last week said it could be "the most important well drilled by Woodside in the next few years" given it was the first hole in its deepwater Cazadores blocks.

Woodside, which usually only releases individual well results in its quarterly reports, said it decided to inform the market of the dry hole given speculation regarding its significance. At an investor seminar last week before the well was completed, Woodside exploration head Agu Kantsler talked up the well's potential as a big discovery, as well as other prospects in the permit.

Woodside yesterday said the Belicoso well did not intersect hydrocarbons, but the reservoir quality and thickness was better than expected. "Belicoso is one of many prospects in the Cazadores area of the Greater Carnarvon Basin," the company said. "Woodside does not consider this single well result as critical for future expansion of the Pluto facilities."

But Mr Bradley said success at the well would have confirmed the potential of the Cazadores area and forced Chevron and BHP Billiton to consider using Pluto as a third-party hub to develop their stranded resources in the region.

Chevron owns the nearby Wheatstone discovery containing 3.5 billion cubic feet of gas. Chevron Australia's Gorgon general manager, Colin Beckett, last week indicated selling the Wheatstone gas to Woodside was one of his company's least-preferred development options.

Mr Bradley said the lack of gas at Belicoso would weaken Woodside's negotiating position with third parties. Other options for a second train at Pluto could include sourcing gas from the Browse joint venture. Goldman Sachs JBWere said the Belicoso disappointment reinforced its view it was premature to attribute value to a Pluto expansion before Woodside found more gas.

Meanwhile, Petro-Canada business development head Graham Lyon told Reuters his company was holding "serious negotiations" with Woodside about buying LNG for a proposed regassification plant in Quebec. A deal, presumably over Browse gas, would represent Woodside's first major North American sales contract.