

NW Shelf Venture Agrees to Replace Cossack Oil Production Ship

By Angela Macdonald-Smith

May 8 (Bloomberg) -- The A\$20 billion (\$19 billion) North West Shelf venture, Australia's largest resources project, agreed to replace the production vessel used at the Cossack oil field to extend the life of the operation.

The partners led by Woodside Petroleum Ltd. ``have resolved to purchase a replacement" floating production storage and offloading vessel for the Cossack Pioneer, Michelle Manook, a Perth-based venture spokeswoman, said today. The move may extend oil output to 2025-2030, Woodside said in a presentation.

The investment in the vessel is one of several plans by the venture to ensure growth, including seeking discoveries near existing fields and a A\$2.6 billion expansion of liquefied natural gas capacity at Karratha, Western Australia. The venture found that replacing the Cossack Pioneer vessel would cost about the same as the A\$855 million-plus estimated to refit the ageing ship and would shorten the required production shutdown.

The venture has signed a letter of intent with SBM Offshore NV for the supply of the replacement vessel, subject to the partners giving final approval to the investment, expected in the third quarter, Manook said by telephone.

Perth-based Woodside, Australia's second-biggest oil and gas producer, owns one-sixth of the venture and is the operator. BHP Billiton Ltd., BP Plc, Chevron Corp., Woodside's 34 percent shareholder Royal Dutch Shell Plc and a venture between Mitsubishi Corp. and Mitsui & Co. also own one-sixth stakes in the project.

Shorter Shutdown

The Cossack Pioneer vessel was commissioned in 1995 and was expected to require a ``major refurbishment" in late 2009, according to an independent report by Deloitte in February on Woodside's proposed acquisition of Shell's oil assets in the North West Shelf venture. Engineering reviews last year showed the refurbishment would require a 10-month shutdown of oil production at Cossack, while replacing the vessel would entail a 2-3 month disruption, it said.

SBM plans to convert the Okha floating storage and offloading vessel into a production vessel for Cossack, Deloitte said. Cossack produced about 50,490 barrels a day of oil on average in the first quarter, Woodside said April 17.

The venture may drill a well at the Nereus gas prospect late this year, seeking a discovery similar to the Persephone field found in 2006, Woodside said in the presentation, sent to the Australian stock exchange. Further wells are also planned at the Perseus and Persephone fields, it said.

The venture is also seeking natural gas from third parties that may enable a further LNG expansion, Eve Howell, Woodside's executive vice president for the North West Shelf, said in an interview last month. The Karratha site has space for three more LNG production units, she said.

The venture last month completed the installation of a third natural gas production platform off the northwest coast in preparation for the start-up of the A\$1.6 billion Angel project later this year. In March it approved the A\$5 billion North Rankin 2 gas project, its largest-ever investment, in an offshore natural gas production platform to underpin supply commitments to customers in Asia after 2013.

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