

Woodside exits Mauritania with \$418mIn Petronas deal

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By Fayen Wong

SYDNEY, Sept 27 (Reuters) - Australia's top energy firm Woodside Petroleum Ltd (WPL.AX: [Quote](#), [Profile](#), [Research](#)) will sell its Mauritanian assets to Malaysia's Petronas for US\$418 million after a string of disappointments from the flagship of its international expansion.

With the deal, flagged earlier this year, Woodside shifts focus to more lucrative liquefied natural gas (LNG) projects in its home market, including the recently approved A\$12 billion Pluto development as well as Browse and Sunrise.

At the core of the sale is Chinguetti, an A\$1 billion (\$877 million) oilfield development that is smaller than first estimated and where output has fallen by four-fifths.

"This asset has been poorly performing, so the decision to sell and move on is clearly a good decision," said Stuart Baker, a resource analyst at Morgan Stanley. "They clearly have better opportunities elsewhere, particularly in domestic LNG."

The deal also includes other offshore producing, development and exploration interests.

Woodside said in a statement it was still examining its options for the rest of its African assets, including exploration acreage in Libya and Kenya and a stake in the producing Ohanet natural gas venture in Algeria.

If it sold those holdings, its major worldwide operations would be reduced to a minority stake in the \$850 million Neptune project in the Gulf of Mexico.

For Petronas [PETR.UL], which already owns a stake in one of the Mauritania exploration blocks and also operates in Chad, Sudan and South Africa, the purchase marks a return to upstream acquisitions after several years of high-profile financial deals, including a \$1.1 billion stake in Russia's Rosneft (ROSN.MM: [Quote](#), [Profile](#), [Research](#)).

Woodside's shares, 34 percent-owned by Royal Dutch Shell (RDSa.L: [Quote](#), [Profile](#), [Research](#)), were up 0.9 percent at A\$49.13 by 0215 GMT, a touch below Monday's life high of A\$50.40.

Woodside's foray into Africa, where it spent more than A\$100 million on exploration in the first half, has suffered several setbacks, including dry wells, cost overruns and a reserves downgrade for Chinguetti.

"JEWEL" LOSES SHINE

Output from Chinguetti, previously seen as one of Woodside's jewels, has disappointed since the project came online in February 2006. Production first peaked at about 75,000 barrels per day (bpd) but slumped to 20,000 bpd within 10 months.

Production at Chinguetti averaged 15,000 bpd in the second quarter, Woodside said during its half-year briefing in August.

Its recent offshore drilling programme in Libya, which was targeting oil prospects of 200-400 million barrels, has also hit a snag with poor results at three out of four wells.

Woodside's decision to sell the Mauritania assets is another vote of no confidence in the West African nation's oil sector after BG Group Plc (BG.L: [Quote](#), [Profile](#), [Research](#)) sold its interest in the Chinguetti licence earlier this year and Premier Oil Plc (PMO.L: [Quote](#), [Profile](#), [Research](#)) said in March it wanted to sell its stake.

Petronas, which makes almost as much money as No.3 U.S. oil firm ConocoPhillips (COP.N: [Quote](#), [Profile](#), [Research](#)) and contributes nearly a third of Malaysia's state revenues, has embarked on fresh upstream investments after several financial deals.

On Monday it signed an agreement with Shell for a stake in the proposed Evans Shoal LNG project in the Timor Sea.

Shares in Woodside have risen more than 30 percent since the start of the year, thanks to the recent surge in spot oil prices, its stream of planned LNG projects and the start-up of its Otway gas project off the eastern state of Victoria.