

Plenty of buyers if Shell sells NW Shelf oil stake

ANALYSIS

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Such is the focus on BHP Billiton's iron ore interests, it's often forgotten the company is also a one-sixth shareholder in the North-West Shelf venture.

Besides being Australia's biggest liquefied natural gas project, the North-West Shelf also includes one of the country's most reliable oilfields.

Cossack Pioneer, in the middle of the big production platforms that produce natural gas for the LNG plants, has been pumping oil since 1995, and is still producing at a

rate of 100,000 barrels a day.

But if you're a global oil company like Royal Dutch Shell looking to take advantage of soaring crude prices, even Cossack looks like an asset that can be sold.

Shell isn't saying much, but comments that it sees Australia as an LNG province do nothing to dampen speculation it will put its one-sixth of Cossack on the block.

But it's dangerous to extrapolate

that Shell will sell out of the North-West Shelf, or its 34 per cent stake in Woodside Petroleum, or its holding in the huge Gorgon area gas fields.

Shell, which has operations almost everywhere hydrocarbons are available to non-government oil companies, is devoting about 10 per cent of its global exploration budget to looking for gas in Australia.

That shows up in recent deals, including pegging the "F-block" exploration lease in the Browse Basin, and buying into ventures with Nexus Energy covering the Crux and Echuca Shoals fields.

BHP Billiton is engaged on another transaction, so is unlikely to seek to increase its exposure to the North-West Shelf right now.

But that's not the case for Woodside, always mooted as a potential takeover target for BHP Billiton in the future.

Woodside managing director Don Voelte said last week he would consider acquiring assets, including an extra holding in Cossack/Pioneer, if they became available.

"We're always interested at the

right price," Voelte said.

He revealed Woodside and one other company had pre-emptive rights over sales of assets within the joint venture.

The North-West Shelf venture started as a relatively simple beast.

Woodside operated the project, and held a one-sixth stake, and BHP Petroleum and three oil majors held most of the rest, in one-sixth chunks.

It sailed along for most of its first 20 years with the remaining sixth of the pie split equally between two Japanese companies, Mitsubishi Corp and Mitsui & Co.

Should Woodside now want to increase its interest in the asset, it would likely face competition, including — at a time of heightened chatter about direct Chinese investment in Australian resource assets — from China National Offshore Oil Corp.

It became a partner in some of the North-West Shelf assets when it signed up for LNG from the project in 2002 and has reportedly appointed Macquarie Group to get advice on a transaction.