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Woodside's foot on gas in Timor

Barry Fitzgerald - February 21, 2008

WOODSIDE has swept aside concerns that the recent assassination attempt on East Timor's political elite could stall its aggressive development plans for the multibillion-dollar development of the Sunrise export gas project in the joint development area of the Timor Sea.

Woodside has gone one better by promoting Sunrise up the ranks of the liquefied natural gas expansions and new LNG developments with which it plans to become the world's biggest LNG producer by 2015. It now ranks Sunrise ahead of the Browse project, which faces possible delays because of uncertainty where its onshore plant will be based, now reduced to a choice of the the Burrup Peninsula or the more environmentally sensitive Kimberleys.

Woodside now hopes to have first production from Sunrise — including its rich condensate (light oil) stream — from as early 2013 after a final investment decision (FID) in 2009. But before it gets to FID it must have government clearance for the preferred development concept — a three-way choice between linking with the existing Bayu-Undan project in the Timor Sea and its Darwin-based treatment plant, a floating production facility, or an offshore development linked to a treatment plant in Timor.

Woodside and the other joint venture partners (Shell, ConocoPhillips and Osaka Gas) have yet to announced a decision on their preferred development route but Woodside's surprise confidence in meeting FID in 2009 suggests that the Timor option has been ruled out. But the way in which the oil and gas riches of the Timor Sea are shared and developed remains a hot issue in East Timor.

The sharemarket was yesterday enthused by the aggressive timetable for the development of Sunrise, as well as Woodside's plan to be in a position to make a final investment decision on building a second LNG processing train for its Pluto LNG project on the North West Shelf by the end of 2008.

Construction of the first Pluto train is only just under way at a cost of some $12 billion. Add in oil's new flirtation with the $US100 a barrel level and stage was set for Woodside shares to shrug off yesterday's general market fall by rising $2.33 or 4.5% to $53.59.

Strong prices and production increases in (calendar) 2007 increased Woodside's revenue to a record $4 billion. But the strong dollar, higher exploration expenses and increased depreciation and amortisation reduced underlying net profit to $1.18 billion, down by 15% on 2006.

That was bang on market expectations. Pro forma profit of $1.03 billion for 2007 was 28%, due mainly to the previously reported loss on the sale of the group's oil assets in Mauritania. Woodside has maintained its production forecast for 2008 of 80-86 million barrels of oil equivalent. But that needs to be updated after the recent acquisition of Shell's Cossack Pioneer oil interests.

The final dividend is 55¢ a share (fully franked), payable on March 31. That is down from final dividend of 77¢ a share in 2006. The latest final dividend takes the annual payout to $1.04, down from $1.26 a share in 2006 but continuing the policy of a payout ratio of 60%