

Woodside crosses fingers on further Pluto 2 exploration

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WOODSIDE is backing itself to reach final investment decisions on three major LNG projects over the next 2½ years, despite disappointing exploration results. Or is it, really?

Speaking at the company's annual general meeting in Perth yesterday, managing director Don Voelte acknowledged that many pundits questioned the ability of Woodside to progress three such significant projects, either in tandem or in very close sequence.

"We answer these questions with two compelling arguments," he said.

"The world wants LNG. What's more, they want LNG from Woodside [and] we have a track record of delivering."

He pointed out that there had been plenty of scepticism when Woodside announced in August 2005 that it intended to build an LNG project based on the Pluto discovery.

"Less than three years later, I'm proud to say the modules for our LNG train at Pluto are under construction in Thailand, our platform is being assembled in China, our topsides are being put together in Malaysia, and on location at Karratha, site preparation is well advanced and the walls of our LNG storage tanks are going up," he said.

But Voelte acknowledged the company's recent exploration drilling had been disappointing.

"We would have liked to have found more hydrocarbons in 2007," he said.

"The disappointment with our exploration success last year remains tempered, however, by the knowledge that our proved plus probable reserves to production ratio remains extremely high at 25 years, and more than 60 years when contingent resources are included.

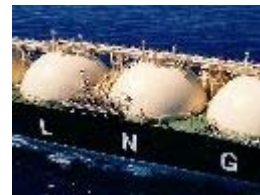
"Our long-term track record on exploration success continues to stand us in good stead."

This is true, but the company's failure in the last year to make significant gas finds near its Pluto and Xena fields, does put the timetable for Pluto 2 into doubt. According to today's *Australian* Voelte admitted as much to journalists after the AGM.

Woodside has two more exploration wells to drill in the greater Pluto area before the end of the year. Much will hinge on their results.



Woodside managing director, Don Voelte.



Speaking before Voelte, Woodside chairman Michael Chaney said the company while the company does not assume oil prices will remain high over the long term, its customers are increasingly prepared to pay prices for LNG that are close to oil price equivalent.

Woodside has maintained its targeted production of between 80 to 86 million barrels of oil equivalent for 2008, up from the near-record 71 million barrels in 2007, according to Chaney.

He cautioned that the 2008 target was the best performance estimate of nine projects in three continents, comprising dozens of facilities across about 40 oil and gas fields.

"Our project economics are based on a more conservative outlook and, importantly, we are determined to ensure that our costs are well controlled so that, if and when prices fall, we remain profitable," Chaney said.

Woodside sees the scarcity of labour and the rising cost of materials as its greatest threats to growth and profitability.

Developing major resource projects is becoming increasingly expensive, Chaney said.

Voelte said the 2007 profit of \$1.03 billion had been affected adversely by changes in the exchange rate and a book loss on the sale of its underperforming Chinguetti project in Mauritania.

But he added that the company was looking at a portfolio review in light of the growing global demand for liquefied natural gas (LNG).

"We have been putting this shift in strategy into effect, by increasingly concentrating on Woodside's core Australian assets," he said.

"This is evidenced by our agreement earlier this year to purchase Shell's North West Shelf oil interests."