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Woodside falls on foul-ups

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Bad news mounts for Voelte as problems at home and overseas force another dramatic production downgrade.

Woodside Petroleum shares were routed by protesting investors yesterday as chief Don Voelte sought to cast a positive light on the oil and gas giant's prospects despite a horror run of operational foul-ups and delays.

As foreshadowed by WestBusiness, Woodside was yesterday forced to slash its 2006 production target by 7 per cent to 67 million-68 million barrels of oil equivalent (boe) because of problems at new oil and gas developments in Australia and Mauritania.

The forecast for 2007 was slashed to 75mboe-80mboe, well below the 90mboe set this time last year.

The downgrade was the second since June, when Woodside cut its target from 76mboe to 72mboe largely on the back of the failure of two key production wells at the $US750 million ($980 million) Chinguetti project in Mauritania and delays at the $1 billion Otway Basin gas project off Victoria.

Ongoing issues at Chinguetti and Otway plus significant production problems at the $1.5 billion Enfield oil project off Karratha were behind the latest downgrade.

Investors punished the stock and sent it tumbling $1.15 to $36.28 in a 3.1 per cent fall that wiped more than $760 million from the company's market value. The fall continues a staggering 26 per cent decline since mid-April, when Woodside shares peaked at a record $49.80.

Fronting a four-investor briefing in Sydney yesterday, Mr Voelte conceded the company had not lived up to anyone's expectations but said improvement was coming.

"The difficulties we've had on a few projects have overshadowed all the good things we've done," he said. "I stand before you disappointed."

However, Mr Voelte said 2006 would still be a record year for Woodside and the next two years would continue the trend.

"We've alluded 2007 will be better than 2006, a record on a record . . . and 2008 right now we believe will be better than 2007," he said. "At the end of the day it's a strong company, great assets . . . we are extremely confident in our capabilities.”

Still, that will require significant recovery from problems at Chinguetti, Otway and Enfield.

Despite praise for the early commissioning of Enfield under-budget in late July as a triumph, the gloss has quickly worn off. Last month, Woodside revealed one of the five production wells had already started producing water, slashing production from the planned 74,000 barrels per day to 43,000bpd.

Enfield’s problems are eerily similar to those at Chinguetti, and Woodside said yesterday it might now need to complete another two to four production wells — each costing up to $50 million — to boost production levels. Woodside now expects Enfield to average 45,000 to 55,000bpd in 2007.

At Chinguetti, where production has been halved to about 30,000bpd since the failure of two wells in April, Woodside formally cut its reserve estimate for the field 57 per cent.

On a brighter note, Woodside revealed that although nine months late, Otway should start production in the March quarter while the big Stybarrow and Vincent oil projects off the Pilbara coast should come onstream in 2008.

Woodside also firmed up the details of its proposed Pluto liquefied natural gas project off Karratha, which it hopes to bring online in 2010.

Pluto manager Lucio Della Martina said the project was expected to cost $6 billion to $10 billion, versus early estimates of $5 billion, with a capacity of up to 12 million tonnes a year, roughly equal to current LNG capacity of the North West Shelf.

But the project is likely to be developed in phases, with an initial capacity of 5 million to 6 million tonnes a year. Woodside also hopes to develop the bigger Browse LNG project off Broome by 2012-14, which would make the company one of the world’s biggest non-government LNG producers.

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