

Woodside abandons Mauritania at a loss

Nigel Wilson | *September 28, 2007*

WOODSIDE'S once-stellar involvement with Mauritania has ended with the probability it will have to book a multi-million dollar loss.

Malaysian government-owned oil and gas company Petronas has agreed to pay \$US418 million (\$475 million) for all of Woodside's onshore and offshore production development and exploration interests in the west African country.

Mauritania was Woodside's first foreign exploration and production foray to diversify from its original asset, a one-sixth stake in the North West Shelf gas project.

Under the deal announced yesterday, Petronas will acquire 47 per cent of the Chinguetti field, Mauritania's only oil-producer, which is about 90km offshore from the country's capital Nouakchott, and stakes in the Tiof and Tevet oil reservoirs and the Banda gas field.

In a statement to the stock exchange, Woodside affirmed it was considering options for remaining African assets, including Kenya, Libya, Algeria, Canary Islands, Sierra Leone and Liberia.

After acquiring acreage from Perth-headquartered Hardman Resources (now part of the Tullow Group), Woodside conducted an extensive exploration program that resulted in a decision to spend, with its partners, \$US700 million on developing Chinguetti.

But the oil field never reached its designed daily output of 75,000 barrels and, in the latest quarter, production was recorded at about 12,000 barrels a day.

Woodside in November slashed Chinguetti recoverable reserves by 57 per cent to 53 million barrels.

As Chinguetti production declined, an extensive remedial program to unlock the complex structure was proposed that has yet to be implemented.

While the project was being constructed a military coup overturned the then Mauritanian government.

This led ultimately to Woodside and its partners paying \$US100 million as a "project bonus" to overcome the Mauritanian Government's concerns about the validity of its production contracts.

The Australian Federal Police confirmed last night that an international investigation of whether corruption was involved is "on-going."

A Woodside spokesman yesterday declined to quantify the extent of the loss on Mauritania that the company would book. He said it would be disclosed in the company's accounts that are scheduled to be released in February.

Analysts said yesterday the extent of Woodside's losses on the Mauritanian adventure would depend on the valuations struck for remaining undeveloped oil and gas.

If these were high, Petronas's \$US418 million was a good one, which might result in Woodside's losses being in the order of \$US15million to \$US30 million.