

CNOOC looks at Australia offshore assets

By Peter Smith in Sydney

[FT.com](#)

updated 12:40 a.m. ET Nov. 16, 2007

CNOOC, the Chinese offshore oil and gas producer, is understood to have hired Macquarie, the investment bank, to advise on the possible acquisition of Royal Dutch Shell's oil assets in Australia's North West Shelf.

Shell declined to comment, saying the matter was "commercially confidential". CNOOC and Macquarie also declined to comment. However, a person close to the situation confirmed that a deal was being considered.

Shell has made no secret of its plans to focus its Australian efforts on expanding its liquefied natural gas operations. Two months ago the Anglo-Dutch group signed a 20-year agreement with PetroChina for LNG from the Gorgon project off Western Australia for an undisclosed sum.

Shell said on Thursday that portfolio management was a "key source of value creation" and it "remained committed to LNG growth in Australia".

China's soaring energy demand has forced the country's companies to look overseas in search of oil and gas supplies.

Shell is one of six equal partners in Australia's North West Shelf, which also includes BHP Billiton, BP, Chevron, Japan Australia LNG and Woodside Petroleum. Cossack Pioneer is the oil producing part of North West Shelf being looked at by CNOOC.

Cossack is operated by Woodside, the Australian oil and gas producer that is also part-owned by Shell.

Woodside said on Thursday that Cossack's year to date production to the end of the third quarter averaged just under 79,000 barrels a day. It also flagged "potential appraisal drilling" for 2008 and an upgrade to the field's subsea infrastructure the following year.

Woodside and at least one other equity owner in Cossack have pre-emption rights if a partner wishes to sell.

None of the parties would put a valuation on Shell's stake. However, market speculation suggested that it might be worth about A\$500m (US\$446m).

CNOOC in October said it had been unable to capitalise on higher global oil prices in its third quarter as revenues dipped on lower crude oil sales volume.

Crude oil revenue, which accounts for more than 90 per cent of CNOOC's sales, fell 2.3 per cent to Rmb16.8bn (\$2.3bn), although the price realised by the company rose 9 per cent to \$67.37 per barrel.

CNOOC is producing a small but increasing share of its oil and gas overseas, having made acquisitions in Australia, Indonesia and Nigeria.

Overseas oil production in the third quarter rose nearly 20 per cent compared with last year, to 25,660 barrels per day, thanks to the company's Australia project beginning production.

Cossack has four producing fields, with the first one, Wanaea, discovered in 1989.

Oil is exported from Cossack via shuttle tankers for international markets.

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