Woodside Stepping Up LNG Drive; Fiscal Year Profit Down 28%

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MELBOURNE -(Dow Jones)- Woodside Petroleum Ltd. (WPL.AU) signaled Wednesday it is stepping up its drive to bring a series of planned liquefied natural gas developments on line, outlining an aggressive new timetable for delivery of projects aimed at taking advantage of strong demand in Asia.

The Australian oil and gas producer also posted a full year net profit of A$ 1.03 billion, down 28% from A$1.43 billion in 2006 but just ahead of market expectations of A$1.02 billion.

Woodside said the profit was hurt by a loss of A$233.1 million that it booked in relation to the sale of its underperforming assets in Mauritania.

The Perth-based company said underlying net profit fell 15.3% on year to A$ 1.18 billion from A$1.40 billion as a stronger Australian dollar, higher exploration expenses and increasing depreciation and amortization offset the benefits from higher production and commodity prices.

Analysts said the result was roughly in line with expectations, but fresh detail on aggressive plans for LNG developments helped drive the stock up 4.6% to A$53.59, in an Australian market that ended down 2.2%.

In 2007 Woodside gave the green light to the A$12 billion development of the Pluto LNG project, near the site of its current North West Shelf joint venture, which will produce 4.3 trillion cubic feet of gas a year with 2010 the target for first production.

The company had previously signaled plans for a second LNG processing train at the site, but hadn't given any timing details until Wednesday.

Chief Executive Don Voelte said engineering work would be complete to allow a final investment decision on the second train by the end of 2008, which could allow first gas to be produced in 2012.

However, Voelte said the timing of the final investment decision would depend on Woodside securing the extra gas it needs for Pluto 2, either through exploration or deals with third parties who have gas reserves in the region.

Voelte also flagged an aggressive new approach to getting the Sunrise LNG project in the Timor Sea underway, saying he had met with the chief executives of project partners Conoco Phillips (COP) and Royal Dutch Shell PLC (RDSB.LN) who had agreed to push the project forward in 2008.

The partners expect rapid work towards selection of a development concept from the three options available, he said, and are now targeting a final investment decision in 2009 with first gas as early as 2013.

Voelte said there were a growing number of LNG projects on the drawing board in the region, but that Woodside was in a unique position with a number of projects now getting underway.

"There are a lot of people doing a lot of talking in this industry, but we are doing a lot of building," he said.

Voelte said Woodside has also narrowed its development options at the Browse LNG project, off the Kimberley coast of Western Australia, to two favored options and is aiming for first gas somewhere between 2013 and 2015.

The company now favors either piping Browse gas 900 kilometers to the Burrup Peninsula for processing, or bringing it ashore to a plant to be built on the Kimberley coast.

Voelte said Woodside continues to sharpen its focus on its LNG projects and is boosting the strength of the team working on the developments.

"We are putting more and more of our horsepower where it counts, we are moving key executives into our expanding LNG portfolio here in Australia," he said.

Questions Over Timetable, But Analysts Upbeat

With the resources sector booming in the state of Western Australia, access to skilled labor and equipment is tight, and some are questioning how Woodside plans to deliver on its ambitious LNG development timetable.

However, Morgan Stanley analyst Stuart Baker said Woodside has a strong development team and will have the advantage of its Pluto workforce becoming available to work on subsequent projects.

While returns from the first phase of the Pluto development look set to be limited by the large capital outlay, the second stage is expected to deliver strong earnings to Woodside and Baker said the timeline announced Wednesday is boosting market confidence in the second train.

"It has moved well beyond a concept to something that now looks like it's quite likely going to happen," he said.

Woodside said the LNG market continues to be strong and that it is actively marketing gas from its development projects.

The company said it is receiving plenty of interest from buyers from North Asia and South East Asia - both from established LNG purchasing nations and new countries entering the market.

Woodside reaffirmed guidance for production of between 80 million and 86 million barrels of oil equivalent in 2008 and an upgrade looks set to follow, with Voelte saying guidance would be updated in May to include the North West Shelf oil assets it has bought from Royal Dutch Shell PLC.

The company also released its annual reserves statement Wednesday, which showed proven and probable reserves stood at 1.69 billion barrels of oil equivalent at the end of 2007, up 6.9% on its position at the end of 2006.

Woodside said the booking of new reserves and field revisions had added 194.7 million barrels of oil equivalent in 2007, partially offset by divestments of 19.6 million barrels and annual production of 66.7 million barrels.

The oil and gas producer said proven and probable reserves at the oil fields that are part of the North West Shelf project were revised down by 13.4 million barrels as the result of a study of the fields.

The contingent resource at Sunrise has also been revised down by 161 million barrels of oil equivalent, which Voelte said was part of a push to be more conservative to ensure the gas could underpin the development option that was selected.

Revenue from ordinary activities rose 11% on year to A$3.84 billion and Woodside posted a final dividend of 55 cents, taking the total payout for the year to A$1.04, down from A$1.26 last year.