

Woodside, Apache may team up on gas supply for Pluto

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Woodside Petroleum Ltd, operator of the Pluto liquefied natural gas venture in Australia, is increasingly likely to team up with Apache Corp on gas supply for the expansion of the project, UBS AG said.

The two companies may reach an agreement for Apache to supply gas from its Julimar and Brunello discoveries off Australia's northwest to Pluto 2, after Perth-based Woodside failed to find enough of its own gas for the expansion, analysts led by Melbourne-based Gordon Ramsay said in a July 17 report.

Woodside Chief Executive Officer Don Voelte on May 1 said the company may miss its end-2008 target for approving an expansion of the A\$12 billion (\$11.7 billion) Pluto project while it weighs the best option for gas supply.

"Woodside's lack of success drilling in the Pluto area, and the fact no new exploration wells are planned in the area over the second half of 2008 implies Woodside will have to arrange for third-party gas supply for Pluto LNG Train 2," the UBS analysts said.

"This makes it increasingly probable that Woodside and Apache strike a gas-supply arrangement in 2009 in order for Pluto LNG Train 2 to go ahead."

Woodside, Australia's second-biggest oil and gas producer, said on July 17 the Bellatrix-1 well in the Carnarvon Basin, which was targeting a discovery that could be used for Pluto 2, failed to find gas.

The Ixion-1 well drilled in the area in the first quarter, also failed, while Chevron Corp has decided to build its own LNG venture for its Wheatstone and Iago discoveries.

Woodside spokesman Roger Martin, said his company could not comment.

Two seismic surveys were carried out in the second quarter in areas that may contain prospects that may supply the Pluto project, he said.

Woodside is 34 percent owned by Royal Dutch Shell Plc.

The company said last week it was completing the initial design studies for the Pluto 2 expansion and was in talks with potential engineering contractors.

It has hired a venture between Foster Wheeler Ltd and WorleyParsons Ltd and an Australian venture between Technip SA, Chiyoda Corp and Fluor Corp to prepare project plans for the engineering work.

Chevron, the second-biggest US oil company, earlier this month tripled the size of its proposed Wheatstone LNG project in Western Australia after finding gas at an appraisal well drilled on the Iago field.

Both the Wheatstone and Iago fields lie immediately to the east of Pluto yet Chevron said in March it decided against supplying the gas into an expansion of Pluto and would instead build its own standalone LNG venture.

Chevron's Wheatstone plan will compete for skilled labor and engineering resources with Woodside's LNG development, potentially delaying Woodside's projects beyond Voelte's stated timetable, JPMorgan Chase & Co. said.

"We believe that Chevron will target start-up for Wheatstone in 2013, a similar timeframe as that proposed by Woodside for a second Pluto train," JPMorgan said in a July 11 report.

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