

Woodside keeps mum about LNG expansion and falling oil price

- **Barry FitzGerald**
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WOODSIDE has steered clear in its September-quarter production report from making any statements on the effect of the global economic slowdown on its aggressive expansion plans in liquefied natural gas, or when the oil price might recover.

That left the market to decide things for itself, with Woodside shares sent \$2.15, or 5.5%, lower to \$37 despite the group having generated record quarterly sales revenue. Woodside's fall was less severe than the 15% price hits taken by Santos and Australian Worldwide Exploration in response to oil's continued retreat from May's record \$US147 a barrel to \$US74.54.

Woodside is nevertheless down by \$33, or 47%, since it reached a record \$70 during oil's peak in May. Apart from LNG growth concerns and the oil price slide, the market is also wondering how much of the recently imposed tax on North-West Shelf condensate production Woodside can recoup through its planned increase in gas prices in Western Australia's fast-slowng economy.

In its production report, Woodside said that it was on track to meet its 2008 production range target. But the range has been narrowed from 80 million to 86 million barrels of oil equivalent (boe) to 81 million to 84 million boe. So on the upside, there was a 2 million boe production cut.

That cut reflects cyclones in the Gulf of Mexico messing with the group's operations there and lower than expected first production from some new projects. Production in the third quarter was 21.7 million boe, up 4.1% on the previous corresponding period.

Revenue shot 84% higher from \$964 million to \$1.77 billion, due mainly to oil prices in the period being about 53% higher than in the previous corresponding period. Oil prices are about 40% below the third-quarter average. Refineries around the world have been destocking in the face of the global economic woes, but will have to refill their storage tanks at some stage. Much of the oil price fall has also been slated back to the mass exodus of commodity hedge funds from the market. They have either gone out of business or are busy selling to meet redemption requests.

On the development front, Woodside stuck to previous statements. Site selection for the proposed Browse LNG project is due by the end of the year. A final investment decision of the Sunrise LNG project is "anticipated" in the first half of next year.

Nothing was said about front-end engineering and design work on a second processing train at its Pluto LNG project.

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