

Woodside wary of oil price

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May 02, 2008 12:00am

WOODSIDE Petroleum has maintained its 2008 production guidance and says it does not take high oil prices for granted over the long term.

Chairman Michael Chaney said Woodside expected production of between 80 million and 86 million barrels of oil equivalent this year - up from the near-record 71 million barrels last year.

Mr Chaney told shareholders at Woodside's annual meeting in Perth yesterday that the company had enjoyed the high oil price but its project economics were based on a more conservative outlook.

"Importantly, we are determined to ensure that our costs are well controlled so that, if and when prices fall, we remain profitable," he said.

The \$US398.5 million (\$424.2 million) purchase of Shell's North West Shelf oil interests was approved at the meeting. The acquisition was part of Woodside's shift in strategy to concentrate on the company's core Australian assets and divest non-core overseas assets.

Mr Chaney said there was growing global demand for liquefied natural gas, which was increasingly priced "close to oil price equivalent".

Having drilled some dry wells last year - a year chief executive Don Voelte described as "horrible" for exploration - Woodside must make some new discoveries or buy in gas from third parties to justify the development of Pluto 2.

Mr Voelte said management would rather wait for "the right gas" than rush its drilling program without an appropriate risk assessment.

"I'd rather wait if it returns an extra \$2 billion to shareholders," he said.

Woodside expects deliveries from Pluto to begin in about 2 1/2 years.

New North West Shelf projects expected to start this year include the Vincent oil project and the "Train 5" expansion.

Several shareholders expressed concern about Woodside's focus on exporting LNG, asking whether it was more important to concentrate on domestic energy security.

Mr Chaney said the company was making hay while the sun shone, achieving strong returns in a high-price environment for LNG.

It would not expand its domestic gas offerings but had committed 15 per cent of Pluto LNG to West Australian Premier Alan Carpenter's domestic gas reservation policy.

Woodside closed up 99, or 1.77 per cent, to \$56.89.

- *AAP*