Woodside, East Timor to Hold Talks on LNG Plant

(Reuters, October 21, 2011) Australian oil and gas firm Woodside Petroleum aims to hold further talks with the East Timor government on its stalled Sunrise LNG project, the company said, but analysts played down the chances of an easy breakthrough to resolve the lengthy dispute.

East Timorese officials have told media in recent weeks that Woodside had agreed to revisit the idea of onshore processing from the Greater Sunrise gas field in the Timor Sea, which the East Timor government wants in order to create jobs, instead of a floating liquefied natural gas facility.

Woodside has sounded a more conciliatory note on Sunrise under its new chief executive officer, Peter Coleman, who recently held meetings with the government in Dili, but has stopped short of saying it will reconsider an onshore option.

“We strongly believe it is not beyond all of us to find a solution to the current impasse,” a Woodside spokesman said.

Under Woodside’s former chief executive, Don Voelte, known for his assertive style, the company’s negotiations with East Timor had become embittered, with each side accusing the other of intransigence and lack of good faith.

On one occasion, protesters prevented Voelte and other representatives of the joint venture from leaving an airport lounge for two hours, according to one media report.

Industry analysts said that while Woodside’s fresh approach was much needed, it was still unclear when and how the long conflict over the location of the LNG plant will be resolved.

“Through the long history of the project, there’s been multiple occasions on which there’s been a potential indication of a solution to the impasse or potential give from both sides,” said Benjamin Wilson, an analyst for JPMorgan Chase in Sydney. “The fact of the matter remains, it’s still stalled.”

Onshore production brings with it a host of engineering challenges as well as a higher price tag, said Di Brookman, an analyst with CLSA.

“At the end of the day, it’s the cost that’s going to be absolutely significant,” Brookman said.

Wilson agreed, saying a floating option was the most commercially viable.

“Whether they can still justify the project on a returns basis if they are required to build an onshore processing facility in Timor remains to be seen.”

Coleman has been cautious on when he may sanction other key projects.

He is counting on the 14.9 billion Australian dollar ($15.3 billion) flagship Pluto LNG project off Western Australia to ignite growth in 2012, but has said he is not going to be bound by the end-year deadline for deciding on expansion.

In its latest production report on Friday the company said that it remained committed to making a final investment decision on its Browse project by mid-2012. It also said that it would release early one of two rigs exploring for gas on the Pluto project.

Shares of Woodside fell 0.7 percent on Friday, extending the previous day’s 4 percent decline.
SINGAPORE/PERTH, Oct 21 (Reuters) - Australian oil and gas firm Woodside Petroleum and East Timor have both signalled a more conciliatory approach to talks on the stalled Sunrise LNG project, after a prolonged and sometimes bitter dispute over the location of the plant.

East Timor President Jose Ramos-Horta said on Friday his compatriots who had met new Woodside CEO Peter Coleman were "positively impressed by him" and expressed hope that the two sides will make a breakthrough to develop the large gas project.

"I believe they can agree on a solution though what it is, I don't know," Ramos-Horta said at a lunch talk organised by Singapore's Foreign Correspondents Association.

"The mood is positive."

East Timorese officials have told media in recent weeks that Woodside had agreed to revisit the idea of onshore processing from the Greater Sunrise gas field in the Timor Sea, which the East Timor government wants in order to create jobs, instead of a floating liquefied natural gas facility.

Woodside's new chief, Coleman, who recently held meetings with the government in Dili, has indicated he is keen to have more constructive talks, but has stopped short of saying it will reconsider an onshore option.

Earlier on Friday, Woodside reiterated in its third-quarter report its intention to hold further talks with the East Timor government on the project.

"We strongly believe it is not beyond all of us to find a solution to the current impasse," a Woodside spokesman said in an e-mail sent to Reuters this week.

Under Woodside's former chief executive, Don Voelte, known for his assertive style, the company's negotiations with East Timor had taken on a hostile tone, with each side accusing the other of intransigence and failing to make a good faith effort in negotiations.

On one occasion, protesters prevented Voelte and other representatives of the joint venture from leaving an airport lounge for two hours, according to one media report.

FRESH APPROACH

Industry analysts said that while Woodside's fresh approach was much needed, it was still unclear when and how the long conflict over the location of the LNG plant will be resolved.

"Through the long history of the project, there's been multiple occasions on which there's been a potential indication of a solution to the impasse or potential give from both sides," said Benjamin Wilson, an analyst for JP Morgan in Sydney. "The fact of the matter remains, it's still stalled."

Onshore production brings with it a host of engineering challenges as well as a higher price tag, said Di Brookman, an analyst with CLSA.

"At the end of the day, it's the cost that's going to be absolutely significant," Brookman said.

Wilson agreed, saying a floating option was the most commercially viable.
"Whether they can still justify the project on a returns basis if they are required to build an onshore processing facility in Timor remains to be seen."

Timor's president said Norway and other countries advising Timor estimate the cost of building an underwater pipeline from the gas field to Timor along with the supporting infrastructure will cost around $13 billion, more than the estimated $12 billion cost of building a floating platform but way below the $18 billion estimate touted by Woodside's former management.

A Woodside spokesman said the company has no comment on the relative costs of the location options.

FLAGSHIP PLUTO PROJECT

Coleman has been cautious on when he may sanction other key projects.

He is counting on the A$14.9 billion flagship Pluto LNG project off Western Australia to ignite growth in 2012, but has said he is not going to be bound by the end-year deadline for deciding on expansion.

In its latest production report on Friday the company said it remained committed to making a final investment decision on its Browse project by mid-2012.

Shares in Woodside were up 0.7 percent by midday on Friday, recovering from the previous day's fall of 4 percent after the company said it would release early one of two rigs exploring for gas on the Pluto project.

Woodside said its quarterly output totalled 16.1 million barrels of oil equivalent, compared with 16.3 MMBOE in the second quarter, and it continued to expect full-year production at 62 MMBOE to 64 MMBOE excluding output from Pluto.

Compared with a year ago, third-quarter production was down 12 percent but sales revenue was 27 percent higher, lifted by higher commodity prices.

Woodside said sales revenue in the third quarter rose 5 percent from the second quarter, buoyed by higher sales volume and higher prices. (Additional reporting by Victoria Thieberger in Melbourne; Editing by Ed Davies, Clarence Fernandez and Himani Sarkar)
Woodside makes progress in Timor LNG talks


October 21, 2011 - 4:21PM (AAP) Woodside Petroleum seems to be making progress with its stalled Sunrise project, saying its new chief executive Peter Coleman has held constructive talks with the Timor-Leste government.

The planned, multibillion-dollar liquefied natural gas project has been held up for several years because the Timor-Leste government wants a processing plant for Sunrise built on its shores but Woodside prefers a floating plant.

Previous chief executive Don Voelte in April said the Timor-Leste government had ignored requests for talks on Sunrise and indicated that East Timor Secretary of State Agio Pereira was the main impediment.

However, the oil and gas producer on Friday said Mr Coleman had recently visited the south-east Asian state and meetings had been positive.

"Woodside continues to build on engagement with both the Timor-Leste and Australian governments," the company said in its third-quarter report today.

The report showed Woodside boosted revenues in the three months to September 30 by 27 per cent to $US1.313 billion ($A1.29 billion) from a year earlier as higher commodity prices offset lower production levels.

Production totalled 16.1 million barrels of oil equivalent (MMboe), down 12 per cent on the September 2010 quarter, due to outages and planned shutdowns at the North West Shelf in Western Australia.

The drop in output was also due to lower production volumes at the Enfield and Vincent oil projects off WA, and at its Laminaria-Corallina oil operation in the Timor Sea.

This was partially offset by higher output at the Stybarrow oil project in WA and domestic pipeline production volumes.

The company reiterated its full-year production forecast of between 62 and 64 MMboe, as well as its March 2012 target for first LNG production at its Pluto project in WA.

Progress was made during the quarter at the contentious Browse LNG project in WA, with the continuation of front-end engineering and design studies along with work to secure environmental approvals.

On Friday, an anti-Browse gas hub protester tied himself to a 30-metre communications tower near the project in a bid to stop survey work.

Police said it was not impeding work, with contractors on site, but the protest may stop heavy machinery getting through.

A final sign-off for the project by Woodside and its joint venture partners is expected by the middle of next year.

Shares in the Perth-based oil and gas producer fell 22 cents to close at $33.38, the lowest in two weeks.