

Business

Sunrise for Woodside in Timor

Nigel Wilson, Energy writer | *February 14, 2007*

WOODSIDE Petroleum will pass a long-standing hurdle to its development of the Greater Sunrise reservoirs when East Timor and Australia ratify agreements covering revenue-sharing.

By the time Australia's biggest standalone oil and gas company unveils its annual profit next Wednesday, Australia and East Timor are expected to have completed agreements.

East Timor's president Jose Ramos Horta surprised the market yesterday with an announcement in New York that ratification of the Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS), signed in January last year, and the Greater Sunrise International Unitisation Agreement (IUA), signed in 2003, will take place in Dili next Monday.

An indication of Woodside's immediate plans for Greater Sunrise may come on Wednesday, when the company is expected to report a record profit, even though it failed to reach initial production targets in 2006.

In 2005 the company reported an underlying profit of \$1.038 billion, and it may exceed this because of high oil and gas prices for much of last year.

While it has been keen to concentrate on exploration and development activity closer to Australia after Mauritania failed to live up to expectations, Greater Sunrise has been pushed out of the equation because of the long delay in East Timor ratifying revenue agreements with the Australian Government.

Woodside yesterday reiterated that the Greater Sunrise project was stalled until there was legal, fiscal and regulatory certainty.

But while the original market envelope for bringing an LNG project based on Greater Sunrise's estimated 8 trillion cubic feet of gas reserves into operation closes in 2012, Woodside has kept the project in its development queue. As recently as November, Woodside told investment analysts most offshore development and onshore environmental approvals for the project had been secured.

The company said Greater Sunrise, in which it has 33.44 per cent equity with ConocoPhillips, Shell and Osaka Gas, was internationally competitive.

At the time, Woodside chief executive Don Voelte was hoping to have progress on Greater Sunrise "early in the New Year".

Between them the partners have spent more than \$200 million on exploration, appraisal, market studies and development planning for a project which is now expected to cost more than \$10 billion.

But observers noted the \$6 billion to \$8 billion Pluto LNG project on the North West Shelf had jumped Greater Sunrise in Woodside's development queue.

This suggested that even if worked resumed shortly on the project it might not come into production until the middle of next decade.

The Australian Parliament will ratify CMATS on Tuesday, having already ratified the IUA in 2004.

The two governments will exchange letters on Wednesday that will allow the revenue arrangements to take effect.

Under CMATS, East Timor's share of the revenues from Greater Sunrise, which straddles the boundary of the Joint Petroleum Development Area between Darwin and East Timor, could be as much as \$US14 billion because revenues will be shared 50:50 with Australia, compared with 80:20 as originally proposed.

The next major hurdle for the Greater Sunrise is East Timor's insistence that any LNG plant supplied by Greater Sunrise gas be built within its borders.

Woodside has said consistently that while transporting gas by pipeline from the reservoirs to East Timor is technically feasible, it is commercially unattractive.