
viewpoint

LOOKING TO COPY WEST SIDE STORY



Woodside's recent farm-in to Pancontinental Oil & Gas' (PCL) Kenyan acreage has been a major coup for the company. Whilst it is still early days, should Woodside's technical assessment upgrade the area's prospectivity and it commit to the next phase of exploration, we believe there is potential for upside in the speculative explorer.

PCL is a junior oil and gas company with a range of exploration interests in Australia, New Zealand, Kenya and Malta. Of greatest immediate term interest is Kenya, where Woodside Petroleum (WPL) recently committed to record a 2000km 2D seismic survey on PCL/Afrex's acreage.

On entering Kenya in May this year, WPL Director of New Ventures, Agu Kantsler said 'Our review identified east Africa as an under-explored frontier province that has potential to replicate Woodside's successful exploration strategy in Mauritania, West Africa'. WPL is currently at an advanced stage of commercialising its maiden oil discovery (Chinguetti) in Mauritania.

Preliminary mapping in the PSCs by PCL/Afminex indicates the presence of some large structures with sizeable indicative potential reserves. Should WPL's technical assessment verify this we believe there is potential for the PCL story to gain momentum over the next 6-12 months.

PCL divested its 1.278% interest in the Perth Basin licence EP-413 containing the onshore Jingemia Oil Field for a consideration of \$702,900. The sale reduces the immediate need for PCL to undertake a capital raising. SPEC BUY.

Adam Conigliaro
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WOODSIDE VALUED FOR GOOD UPSIDE

Woodside's September quarter production report showed good performance in domestic gas, and LNG exports. On the disappointing side, condensate volumes were lower than expected. Compared to the June quarter 2003, production was up 3.4% to 15.25M barrels of oil equivalent. Revenues were only up 1.3% to \$505M, as the strengthening A\$/US\$ exchange rate trimmed prices received. Exploration expenditure was relatively low at \$50M.

We have made adjustments to our modeling assumptions based on the production report, but the implications are minor. The quarterly report coincides with a change in our currency assumptions, as well as an upward adjustment to oil prices. We now use a 70 cent A\$/US\$ exchange rate for the December quarter, followed by 68 cents in 2004 (up 3 cents) and 65 cents from 2005. The tightness in oil markets continue, and we have yet again increased our near term oil price assumptions, with US\$31/barrel (up US\$4) in this quarter, US\$26 (upUS\$3) in the H04, and an unchanged US\$23 from the 2h04. Our EPS for FY03 is virtually unchanged, while the FY04 estimate is 6% lower. This puts our forecast EPS at the low end of market estimates for this year and mid-range for FY04.