

Fletcher Challenge The Latest Jewel In Shell's Crown

A last minute patriotic appeal by Greymouth Petroleum had no effect on Fletcher Challenge Energy (FCE) shareholders, as an overwhelming 85% of the group voted in favour of Shell/Apache's takeover offer at a special shareholder meeting on March 6th.

Greymouth Petroleum announced a rival bid for FCE in late February, in the hope that the company would remain a New Zealand independent. Greymouth claimed that the Shell bid undervalued FCE, who recently announced record net earnings of NZ\$308 million, up 77% from the six months ending July 31st 2000. But their bid remained subject to due diligence and could not proceed to a firm offer in time for the March 6th meeting.

"Fletcher Challenge Chief Executive, Michael Andrews, commented, "It goes without saying that if there was any possibility that Greymouth did have the capacity to deliver a credible offer with certainty for shareholders, and without risking losing the Shell and Apache offer, we would be actively courting them".

The proposed Greymouth bid was valued at US\$2 billion, exceeding the Shell/Apache bid that had been valued at US\$1.8 billion, which consisted of a cash component plus share offers in Capstone Turbine Corporation, and Rubicon, a new subsidiary of the Fletcher Challenge group.

Countering the Greymouth bid, Shell and Apache raised the cash portion of their offer from US\$3.34 per share to US\$3.55 per share, in a good-faith effort to finalise the process, but stated clearly that it was their final offer and would terminate on March 23rd.

As a condition of the takeover there will be extensive divestiture of current FCE assets, including 10% of FCE's shares in the Maui field, all FCE interests in the undeveloped Kupe field, and 3.7% of shares in the new Pohokura field. Of the onshore assets, all FCE's interests in the Taranaki oil and gas fields of McKee, Mangahewa, Tariki, Ahuroa, Waihapa, Ngaere, Ngatoro and Kaimiro must be sold.

Apache will acquire FCE's Argentinian and Canadian assets, and Rubicon will buy FCE's New Zealand petrol retailing subsidiary, Challenge Petroleum Ltd. Privately owned Canadian company, Emerald Capital, has already purchased FCE's 14.2% interest in NZ Refining Ltd.

Despite the sell-off, Shell has said that its petroleum exploration activity in New Zealand will increase as a result of its FCE takeover. Shell's Asia-Pacific chief Raoul Restucci explained, "Given the dramatic increase in the size of our holdings here, we'll find substantially greater activity when it comes to allocating funds for exploration or other intents".

"Strategically, New Zealand will now feature much higher than in the past because critical mass is now substantially greater."

Restucci said that the group has no immediate plans for further New Zealand acquisitions. Shell New Zealand will continue with the principal management of all of its assets in New Zealand.