ConocoPhillips' Australia deal fits with recent strategies, analysts say

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ConocoPhillips (COP -0.4%) is little changed following its agreement to sell its northern Australian business to partner Santos (OTCPK:STOSF), a deal that was not unexpected.

COP will quit the Darwin LNG plant, which it opened in 2006, and gas fields off northern Australia but hold on to its 37.5% stake in the Australia Pacific LNG plant in Queensland state.

"While we believe the Darwin LNG backfill project remains among the lower cost of supply options for new global LNG supply, this transaction allows us to allocate capital to other projects that we believe will generate the highest long-term value," COP says.

For Santos, the deal could allow it to become the Australia's largest independent energy producer and capitalize on a push by Asian consumers such as China to switch to cleaner burning natural gas away from coal.

The deal has "compelling strategic merit," RBC energy analyst Ben Wilson says, adding that the price looked reasonable based on the firm's $1.63B valuation of the assets.

The new Australia deal fits with COP's recent strategies, says Wood Mackenzie's David Low, who expects COP to redeploy the capital into its North American unconventional and Alaskan positions.

COP "already allocates ~70% of its capital into its U.S. operations, so this sale, following recent Timor Sunrise and U.K. divestments, is firmly in line with its strategy of reducing international exposure and increasing North American output," Low says.