SANTOS NOT CHEAP DESPITE FALLING SHARE PRICE: CITI

With the share price of Santos trading off in the past year, could it be that the $23bn Australian energy group is now at an attractive price for a rival to launch a takeover?

Santos embarked on a $21bn merger with competitor Oil Search in 2021, and some think this now makes it too big to make it a buyout possibility.

Two logical candidates would be US-based Chevron or ConocoPhillips, both enjoying strong cash flow generation on the back of the elevated oil price.

Citi analysts don't agree that the Santos share price is cheap.

They say in research released to coincide with the group's quarterly update that Santos is efficiently priced by the market, and its share price adequately reflects most risks facing the assets into the cost of equity.

Santos delivered its quarterly update on Thursday, and chief executive Kevin Gallagher said the company continued to perform strongly against the backdrop of regulatory and economic uncertainty, referring to the introduction of caps on east coast gas prices.

Drilling at its Barossa project is expected to start by the end of this year, which Citi analysts say is later than previous expectations.

The analysts said first quarter volumes were in line with Citi's forecasts and sales revenue beat expectations by 4 per cent, but they were 9 per cent below the broader consensus.

Another bold suggestion is an acquisition initiated by Woodside, although most believe its focus is on opportunities off the coast of the US where the Gulf of Mexico assets it inherited from its BHP petroleum business purchase are based.

Meanwhile, the other energy group that continues to be a topic of discussion in the oil and gas space is Beach Energy, which has some analysts wondering if it is once again being shopped around the market to test buyer appetite.

As previously reported by this column, the belief is that the Ryan Stokes-led Seven Group, a 30 per cent shareholder in Beach, would be open to a sale if a buyer could be sought at the right price.

Again, a suggestion is Woodside could buy the $3.35bn Beach Energy to give it a pipeline of new east coast projects because the Gippsland Basin oil and gas developments in Bass Strait it inherited from BHP are nearing the end of their life.

But the executive that Woodside has recently hired to focus on mergers and acquisitions is based in the US, which is further evidence its focus is more offshore for deals.

Another idea is that Santos could buy Strike Energy or Beach Energy, after selling down PNG assets inherited from Oil Search.

Last week, Santos won a court case where it was awarded $1.4bn against contractor Fluor over its Gladstone GLNG project in Queensland, but experts say it will likely accelerate its investment into its Narrabri gas project in north eastern NSW.

Others say it has plenty of wood to chop before it starts buying new businesses.