



12 October 2004

Go-ahead announced for new Australian gas project

Santos Ltd (Santos), Australia Worldwide Exploration Limited (AWE) and Mitsui & Co, Ltd (Mitsui) today announced the formal go-ahead for the development of a new Australian gas field – the Casino project in the offshore Otway Basin, Victoria.

The \$200 million development approval follows the granting of the necessary Board approvals to commit to the project as well as the finalisation of a larger gas sales agreement with SPI Electricity Pty Ltd, trading as TXU.

Gas production is expected to start in the first quarter of 2006, subject to normal regulatory approvals.

Major gas sales agreement

Under the new gas sales agreement, Santos, AWE and Mitsui have the option to supply TXU with up to 420 petajoules (PJ) of gas over 12 years for the Victorian or South Australian markets.

This is an exploration-enabling contract in that it caters for the immediate commercialisation of future gas discoveries.

The deal could be worth in excess of \$1.7 billion to the joint venture producers for gas and associated condensate, subject to future exploration success.

The new gas sales agreement is an expansion on the initial gas sales term sheet announced by the joint venture participants in September 2003 for TXU to take 293 PJ of gas.

That agreement, which included the option for TXU to purchase or process further gas, was unique in that it commercialised the Casino resource before appraisal drilling had confirmed the quantity of gas available.

The agreement, which is conditional upon the granting of the necessary regulatory approvals, also contains an option for the joint venture participants to process an additional 105 PJ of gas (above and beyond the 420 PJ) over a further three years at TXU's Iona plant in Victoria.

An active exploration drilling program is planned for VIC/P44 to seek additional gas reserves. The first of these exploration wells, Martha 1, is expected to spud shortly.

Commenting on the announcement, Santos' Managing Director, John Ellice-Flint said:

"Santos, AWE and Mitsui are pleased to play the lead role in providing yet another reliable source of gas supply to the Australian market.

"The Casino discovery and the innovative long-term TXU sales agreement are rewarding developments for the producers' ongoing commitment to build on our expanding energy assets in south-eastern Australia."

Commenting on the announcement, AWE's Managing Director, Bruce Phillips, said:

"We are delighted to see further progress on the Casino gas project, with the completion of AWE's project financing, the extension of the gas sales agreement with TXU and the commitment by the joint venture to develop the field. This project sanction comes just 14 months after AWE's initial involvement in VIC P/44, an outstanding outcome for our shareholders.

"We look forward to working with our co-venturers, customers and the regulatory authorities to progress with the development of the Casino gas project in the shortest possible time frame."

The new gas project

The Casino gas field will be the first commercial development within VIC/P44. The field is located approximately 30 kilometres offshore from Port Campbell in water depths of approximately 70 metres.

Raw gas from the sub-sea facilities at the Casino field will be transported to the coastline through a sea-floor pipeline that will come ashore via a directionally-drilled underground shore crossing. Raw gas will then be transported via a buried pipeline to TXU's Iona processing facilities. These facilities have been specifically designed to minimise any adverse environmental impact.

After processing at the Iona plant, sales-quality gas will be supplied to industrial, commercial and domestic customers in Victoria and South Australia and be used in electricity generation.

Planned annual production from the Casino gas project is anticipated to plateau at 35 PJ per annum based on the Proven plus Probable gas reserves (2P) of 285 PJ.

Field construction activities are due to start in first quarter 2005 and conditional approval for six major contracts worth in excess of \$150 million has already been granted.

Participants in VIC P/44 are:

Santos Limited (Operator)	50.0%
Peedamullah Petroleum Pty Ltd (wholly-owned subsidiary of AWE)	25.0%
Mittwell Energy Resources Pty Ltd (wholly-owned subsidiary of Mitsui)	25.0%

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AWE stock symbols: AWE (Australian Stock Exchange)