

**Media enquiries**

Matthew Doman  
+61 8 8116 5260 / +61 (0) 421 888 858  
[matthew.doman@santos.com](mailto:matthew.doman@santos.com)

**Investor enquiries**

Andrew Seaton  
+61 8 8116 5157 / +61 (0) 410 431 004  
[andrew.seaton@santos.com](mailto:andrew.seaton@santos.com)

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## **Kipper Project Sanctioned**

Santos today welcomed the announcement by ExxonMobil Australia and BHP Billiton that the Kipper Gas Project in Bass Strait has been approved for development.

The Kipper gas field was discovered in 1986 and is located in 100 metres of water, approximately 45 kilometres from Ninety Mile Beach on the Gippsland coast of Victoria.

First gas production is targeted for the first half of 2011, with gross gas production rates commencing at approximately 75 terajoules per day. Detailed design and procurement of equipment will commence in 2008 with offshore construction and installation commencing in 2010.

The Kipper field proven and probable (2P) reserves are estimated at approximately 610 Petajoules of sales gas (net of fuel and flare) and 30 million barrels of oil equivalent of recoverable condensate and LPG.

Santos' Managing Director, John Ellice-Flint, said that formal approval of the Kipper Gas Project represents another important step in monetising Santos' significant gas resources, and follows last month's decision to develop the Henry gas field in the Otway Basin offshore Victoria.

"With Australia's recent signing of the Kyoto protocol, further gas developments such as Kipper are essential if our economy is to achieve the dual goals of successfully transitioning to a lower carbon footprint, whilst at the same time protecting economic growth," he said.

Kipper gas production will be delivered from up to four subsea wells piped back to existing processing infrastructure separately owned by the Gippsland Basin Joint Venture (GBJV).

The GBJV will be responsible for all service provision to the Kipper facilities, including metering, transportation and processing of Kipper gas and associated liquids in return for payment of a processing charge.

The Kipper Unit Joint Venture (KUJV) scope of works will be progressed in two stages:

- Stage 1: Initial Kipper gas development via two subsea wells and four subsea coolers with tie-back to a subsea manifold. Santos' share of capital expenditure for Stage 1 is estimated to be approximately A\$140 million; and
- Stage 2: A further two Kipper subsea gas wells in 2015, increasing gross gas production rates to approximately 150 terajoules per day.

Additional works will be separately carried out by the GBJV in order to connect the Kipper facilities to existing GBJV infrastructure and processing facilities.

Santos will be directly responsible for marketing its share of processed Kipper gas and LPG, whereas the GBJV participants will directly purchase all Kipper condensate at a market linked price.

Participants in the Kipper Unit Joint Venture are wholly owned subsidiaries of:

Santos Limited	35.0%
ExxonMobil Australia	32.5% (Operator)
BHP Billiton	32.5%

Participants in the Gippsland Basin Joint Venture are wholly owned subsidiaries of:

ExxonMobil Australia	50%	(Operator)
BHP Billiton	50%	

Map attached.

Ends

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**Santos stock symbols: STO (Australian Securities Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)**

# Gippsland Basin

