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**22 June 2009**

## **PNG LNG reaches significant marketing milestone**

Santos today announced that the PNG LNG Project participants have reached alignment on commercial terms with three major LNG buyers in the Asian region for sales of approximately 4.3 million tonnes per annum.

As previously announced, a fourth LNG buyer is awaiting Government approval of key commercial terms for the remaining 2 million tonnes per annum of production capacity.

Santos Chief Executive Officer David Knox said today's announcement was a significant step forward for the PNG LNG Project.

"The marketing arrangements announced today provide a strong foundation for a final investment decision in the fourth quarter of 2009," Mr Knox said.

A copy of the PNG LNG Project Operator's release is attached to this release.

### **About PNG LNG**

The PNG LNG project proposes to commercialise the undeveloped petroleum resources in the Hides, Angore and Juha fields and the associated gas resources in the currently operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western provinces of PNG. The gas will be transported by pipeline to an LNG facility twenty kilometres northwest of Port Moresby on the coast of the Gulf of Papua. The gas will be liquefied, enabling export by ship of approximately 6.3mtpa of LNG.

The project is operated by ExxonMobil and is currently in the Front End Engineering and Design (FEED) stage. FEED activities, including engineering and environmental studies, marketing and financing activities continue to progress well. The Hides gas/condensate field will underpin the gas volumes required. FEED is expected to conclude with a final investment decision in the fourth quarter of 2009.

Santos has a 17.7% interest in the FEED phase of the PNG LNG Project. The other participants are ExxonMobil, Oil Search, Nippon Oil Exploration, MRDC (a PNG company representing landowner interests) and Eda Oil. Santos expects to have a participating interest of approximately 13.7% after the PNG Government back-in to the project. Santos' participating interest is subject to an equity determination process which will take place before the final investment decision.

Ends

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



# Media Release

June 22, 2009

## **PNG LNG Reaches Significant Marketing Milestone**

Port Moresby, Papua New Guinea, June 22, 2009 – Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project, today announced that the Project participants have reached alignment on commercial terms with three major LNG customers in the Asia region for long-term sales of LNG totaling approximately 4.3 million tonnes per annum (MTA).

Exclusive discussions will commence with these customers to finalize binding sales and purchase agreements to establish the Project's foundation customers. A final investment decision is targeted later this year.

“We are pleased that the Project has reached the important milestone of aligning on commercial terms with these major Asian LNG customers,” said Ron Billings, Vice President, LNG, ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation. “This is a key milestone in the Project's schedule, with delivery of LNG to the market expected to commence in late 2013 or early 2014.”

A fourth potential customer is awaiting its government's approval of key commercial terms for a long-term purchase of LNG covering the remaining 2 MTA of production capacity.

The PNG LNG Project is an integrated development that includes gas production and processing facilities, onshore and offshore pipelines and LNG plant facilities. Participating interests are ExxonMobil (through various affiliates, including Esso Highlands Limited as Operator) 41.5%, Oil Search 34.0%, Santos 17.7%, Nippon Oil 5.4%, Minerals Resources Development Company 1.2%, and Eda Oil Limited 0.2%. (Participation will change when PNG State nominees join as equity participants at a later date).

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