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25 June 2012

NSW landholders and communities to benefit from new approach to CSG compensation

Following recent NSW Government announcements, Santos today announced a Landholder and Community Compensation Scheme for its NSW operations that would see greater consultation and agreement with landholders and substantial financial benefits to both landholders and their regional communities.

Based on Santos' potential commercial production volumes in the Gunnedah Basin, total payments to host landholders in Santos' NSW permit areas could be in excess of \$150 million over a 20 year period while the local regional communities could benefit by an amount in excess of \$300 million – reflecting contributions from Santos and the NSW Government.

Over the last few months Santos has been actively engaging with landholders and regional community bodies with a view to devising a more defined, transparent process to agree access with individual landholders and establish a compensation scheme that fairly shares the benefits of NSW's important natural gas resources. Feedback from landholders has indicated that such a scheme would improve community confidence that a natural gas industry can coexist with traditional agriculture.

Santos Vice President Eastern Australia, James Boulderstone, said: "The new scheme, developed in consultation with local landholders, meets the Government's new policy. More importantly however, it demonstrates our commitment to a fair and productive working relationship with local landholders and their communities to develop a sustainable domestic gas industry for NSW."

"The scheme aligns the interests of landholders and the local communities with the success of the CSG industry. Our commitment is to respectfully work with local communities and share the benefits of developing this natural gas resource, which has the potential to secure NSW's energy security into the future," Mr Boulderstone said.

The key elements of Santos' NSW Landholder and Community Compensation Scheme are:

During exploration a private landholder would receive:

- A written and agreed Farm Management Plan (**FMP**) prior to any exploration activity taking place. The FMP would ensure that the profitability and sustainability of food and fibre production is not compromised;
- A first year payment equal to 120% of the value of the land utilised by Santos;
- An ongoing yearly payment equal to 60% of the value of the land utilised;
- An annual payment of \$30,000 per landholder for certain services associated with the upkeep and monitoring of the facilities associated with the Santos work program.

During commercial production a private landholder would receive:

- An ongoing annual payment of \$30,000 per landholder for certain services associated with the upkeep and monitoring of the facilities associated with the Santos development;
- A payment equal to 120% of the value of the land utilised in the first year of production;
- In subsequent years, an annual share of an additional compensation pool (an annual amount equal to 5% of Santos' royalty payments associated with private land within a production licence area). A private

landholder's compensation will be based on the proportion of their land utilised by Santos as compared to the total area used for our operations.

During commercial production the community would receive:

- In line with the recent call from the NSW Government to also contribute at the regional community level, Santos will establish a Regional Community Benefit Fund. This fund will be created through payments by Santos of the equivalent of 5% of the Government royalty payment within our production licence area, effectively equally matched by the NSW Government (yielding a total contribution of 10%). The funds are to be used for the benefit of the regional communities working with Santos' CSG operations. The fund would be administered by a governance body comprising local and state government and licence holder representatives.

The Landholder and Community Compensation Scheme describes a number of significant changes to the compensation arrangements currently in place in NSW. In addition to annual land use payments, for the first time, hosting landholders are offered guaranteed income of \$30,000 p.a. for agreed services such as vegetation and animal control during the term Santos operates on their land.

"Many of the farmers we have spoken to have made two points very clear to us. First, they have been looking for a compensation arrangement that they can relate to the value of their business and their time. Further and understandably, they have stressed the importance of agreeing upfront how, when and where our operations should be conducted so as to maintain the productivity of their existing enterprises and also to protect the privacy and lifestyle for their families. The requirement to agree a formal Farm Management Plan is a central plank of our new plan," Mr Baulderstone said.

"We believe these elements of our new plan go to the heart of those important considerations.

"Under the new compensation scheme Santos is also setting up two new compensation pools. The first will be known as the Landholder Incentive Fund (**LIF**) and will compensate landholders in line with the long term success of a gas development once we reach the production phase.

"The second pool will be known as the Regional Community Benefit Fund (**RCBF**). This recognises the contributions that our local communities will make to our operations in terms of employment opportunities, road access and community facilities and services that we will use," Mr Baulderstone said.

The RCBF would be used to help fund major initiatives and infrastructure projects which directly benefit the NSW communities in which we operate.

"This will be a tangible way for the broader community, businesses and neighbouring landholders to receive direct benefits from our activities to the region. We are investing in the future of our local communities to thank the communities for working with us everyday," he said.

Mr Baulderstone said Santos was keen to introduce its new land access compensation scheme as soon as possible but this would not be possible until the company had certainty it will be able to proceed with its business plans which remain subject to settlement of NSW's draft Strategic Regional Land Use Policy, the Aquifer Interference Policy, renewal of exploration licences in its key permit areas and other outstanding regulatory and policy matters.

"We are pleased with the progress the NSW Government is making in this regard, including the announcement of new Land and Water Commissioner to oversee regulation," Mr Baulderstone said.

"However, the reality is that regulatory certainty must precede further significant investment in NSW's fledgling CSG industry and time is fast running out if the State is to secure its own strong and sustainable domestic supply of natural gas before its major interstate gas supply contracts begin to expire just two years' time," Mr Baulderstone said.

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