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Santos to supply 750PJ of portfolio gas to GLNG

Oil-linked pricing to underwrite long-term future of the Cooper Basin

Secures additional strategic advantage for GLNG

Santos today announced an agreement to supply 750 PJ of gas to the GLNG project.

The gas will be delivered from Santos' eastern Australian gas portfolio, with existing uncontracted Cooper Basin 2P reserves being the primary supply source.

The gas supply to GLNG is consistent with Santos' strategy of developing its significant Australian gas reserve and resource position through both the domestic and LNG export channels to market.

With an oil-linked pricing formula, the agreement not only accelerates monetisation of Cooper 2P reserves, but provides a key catalyst for longer-term investment in the Cooper Basin.

The gas will be supplied over a period of 15 years commencing in 2014 and is conditional on a final investment decision on GLNG train two.

Santos Chief Executive Officer David Knox said the agreement delivers significant value to Santos' Cooper Basin position by opening an export channel for Cooper gas and accelerating its monetisation.

"The oil-linked pricing will underwrite future investment in the Cooper Basin and unlock the potential of the Basin's remaining substantial resources. For some time, Santos and our partners in the Cooper Basin have highlighted the enormous potential of infill drilling and unconventional gas if a sufficiently attractive price could be established. This deal achieves that," Mr Knox said.

Santos Vice President Eastern Australia James Baulderstone said the GLNG supply deal, coming on top of Cooper domestic gas contracts valued in excess of \$400 million gross already agreed or pending this year, highlights the long-term importance of the existing Moomba facilities in Eastern Australia's gas infrastructure. The ability to access oil-linked pricing through the LNG market will transform the Cooper Basin in terms of its long-term production outlook.

"Moomba and the Cooper Basin have traditionally played a pivotal role in supplying gas to the domestic market. This unparalleled opportunity ensures that the company's Cooper Basin operations in South Australia and Queensland will continue to play that role," Mr Baulderstone said.

It is not anticipated that there will be any requirement for material capital expenditure prior to 2014 to deliver the Cooper Basin volumes. Firm pipeline capacity to transport the gas from Moomba to the Wallumbilla gas hub in Queensland is available to Santos via Epic Energy. Santos is also in discussions with its Cooper Basin Joint Venture partners regarding their possible participation in the GLNG supply agreement.

Santos has a 66.6% interest in the South Australian Cooper Basin Joint Venture. The other participants are Beach Energy (20.21%) and Origin Energy (13.19%).

Santos Chief Executive Officer David Knox said the unique ability of Santos to leverage its gas portfolio and infrastructure position in eastern Australia would also give GLNG a significant strategic advantage in being able to execute the most capital efficient ramp up of gas supply for trains one and two.

“In combination with Roma underground gas storage, supply of conventional Santos portfolio gas will enable GLNG to optimise both CSG field development and LNG train ramp up. These levers provide GLNG with a significant strategic advantage,” Mr Knox said.

GLNG Federal environmental approval

GLNG received its environmental approval from the Federal Government on 22 October.

GLNG has reviewed the conditions outlined in the Minister’s approval.

“We are committed to meeting the stringent conditions of the Federal and Queensland government environmental approvals,” Mr Knox said.

GLNG received its environmental approval from the Queensland government in May 2010.