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## **PNG LNG: Gas Agreement and FEED Entry**

Santos today welcomed the signing by the PNG Government of a Gas Agreement with the PNG LNG joint venture and the project formally entering into Front End Engineering Design (FEED).

The Gas Agreement defines the terms under which the venture will build and operate the project including taxation, fiscal and banking stability, issue of development licences, state participation, landowner identification, training and local business development. The Joint Operating Agreement signed on 13 March 2008 and the Gas Agreement are the key commercial agreements that have enabled PNG LNG to formally enter into FEED.

The FEED work will be conducted over the next 16 months with a final investment decision expected in the fourth quarter of 2009. FEED activities will include detailed work on optimising facilities design, landowner, environmental and regulatory affairs, and the selection of an EPC contractor. In parallel, the venture will be marketing the product to potential buyers in Asia and elsewhere and will be implementing its financing plan.

The PNG LNG project has the potential to become the largest project ever undertaken in PNG. The project envisages an integrated development of the Hides, Angore and Juha Gas Fields as well as associated gas from the Kutubu, Agogo, Gobe and Moran oil fields. The gas will be transported to the LNG plant near Port Moresby through more than 700km of large diameter pipeline. The first LNG cargo is expected to be shipped in early 2014.

Equities of the PNG LNG joint venture parties going into FEED are:

ExxonMobil (Esso Highlands Limited as Operator)	41.5%
Oil Search	34.0%
Santos	17.7%
AGL	3.6%
Nippon Oil	1.8%
MRDC	1.2%
Eda Oil	0.2%

Note: Interests will change when the PNG State nominees join as equity participants at a later date.

In welcoming the agreement, Santos' Acting Chief Executive Officer David Knox said "The signing of the Gas Agreement and the formal entry into FEED are very significant milestones for both the PNG LNG project and Papua New Guinea. The PNG Government and all participants can celebrate an important step towards the development of the world class Hides field. Santos will continue to work with ExxonMobil as operator, the other venture partners and with the PNG Government with the objective of securing a final investment decision in late 2009."

Ends

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

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