

GUNNEDAH BASIN FOOD AND FUEL QUESTIONS



SANTOS' GUNNEDAH BASIN EXPLORATION PROJECT

Is coal seam gas (CSG) really competitive?

Yes. Coal seam gas is already an important part of Eastern Australia's energy mix and is competitive with conventional gas supplies.

Australia's substantial economic and social prosperity has been underwritten by a strong comparative advantage in energy over many decades, courtesy of our extensive coal resources.

The challenges of delivering energy security while managing climate change and its impact requires a new comparative advantage if this prosperity is to be maintained into the future. The low carbon and water intensity, and proven reliability, of gas-fired power generation has the potential to underwrite a broader portfolio of low to zero emission energy platforms.

Santos' CSG business strategy is based on projections that show CSG will be a highly competitive form of local and export energy in future.¹

How much of your Exploration License is devoted to conventional gas vs CSG?

Santos' exploration in the Gunnedah Basin is devoted solely to CSG.

Were incidents on the North-West shelf and in Java being conducted under the same petroleum regulations as Santos operates under in the Gunnedah Basin?

No. In the Gunnedah Basin, Santos operates under NSW Petroleum (Onshore) Act 1991. Both these incidents happened in jurisdictions outside NSW.

¹ <http://www.santos.com/Archive/NewsDetail.aspx?p=121&id=1145>

How many core holes are you planning to do in this phase of work and how many have you completed so far?

Santos plans to drill 20-30 core holes in phase 1 of the exploration program. 17 were in progress or completed by September 2009.

What happens to the water produced during production?

Gunnedah CSG reservoirs contain water and gas, however the amount and quality of water will not be known until more exploration has been carried out. The volume and quality of water extracted from coal seams varies and can only be quantified after exploration and appraisal testing.

If Santos proceeds to full gas production, the company will need to show the NSW Government how it will manage extracted water. Santos has employed hydro geologists to provide advice on the region's aquifers and other water issues. If permitted, Santos will make CSG water available to the community. Uses may include domestic and town water supplies, agriculture, grazing and forestry.²

Where are the fluids from Blackville area being taken to for disposal?

Drilling fluids and cuttings from core holes in PEL452 are carried by a licensed waste carrier to a licensed waste disposal facility in Newcastle.

What is the cost of the exploration license?

The Petroleum (Onshore) Regulation 2007 requires a standard fee to be paid on the grant of all exploration licences. These fees are set out in schedule 1 to the Petroleum (Onshore) Regulation 2007.

² http://www.santos.com/library/Gunnedah_Basin_FAQs.pdf

Can you provide a copy of the work program for PEL 452?

Santos is the titleholder of PEL452 and regards the works program agreed with the NSW Government as commercial in confidence. A copy of the review of environmental factors prepared in relation to the drilling of exploration wells in PEL452 is publicly available on the DPI's website at <http://www.dpi.nsw.gov.au/minerals/environment/nod/exploration-2007> and contains certain information relating to works to be carried out on PEL452

Does Santos donate to political parties or politically-affiliated organizations like the RG Menzies Foundation?

Santos' Code of Conduct requires employees to remain politically neutral when working with governments and governmental departments. Employees may not make contributions to either individual politicians or to political parties to secure political or commercial influence on behalf of the company.

Santos employees are permitted to attend events hosted by political parties. Any payments to political parties for such events are publically disclosed in accordance with the requirements of the Australian Electoral Commission and are available at <http://periodicdisclosures.aec.gov.au/DonorSearch.aspx>. Santos does not donate funds to politically-affiliated organisations.

For more information

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