

Santos: Oil And Gas Production Stable In 2009

Santos has reported production for 2009 will remain steady and on par with 2008 as expansions in Indonesia and Queensland offset declining output from maturing fields. The company expects to produce between 53 MM and 56 MMboe, compared with 54.4 MM last year.

Fourth-quarter sales were little changed at \$648.1 MM as a gain in the volumes sold compensated for a drop in oil prices. Santos sold 10% more oil and gas than it produced in the fourth quarter because of the timing of shipments, helping compensate for a 19% drop in the average price it got for its crude. Production slid 3% to 13.6 MMboe.

Full-year output, which fell 8%, reached the company's reduced forecast of 54 MM to 56 MMbbl. Sales in 2008 gained 11% to a record \$2.76 B.

Santos received \$2 B in the third quarter from Petronas for a stake in a proposed venture to convert gas extracted from coal seams into LNG and completed a \$300 MM share buyback in the fourth quarter.



CEO David Knox told the ASX, moving into 2009, Santos was well positioned despite the global financial crisis with a very solid financial position, reinforced by a strong cash balance.

Santos is due to start gas production at the Oyong field in Indonesia in the third quarter of 2009, while coal seam gas output is being expanded at the Fairview project in Queensland. The Gladstone

LNG project in northeastern Australia, being developed in conjunction with Malaysia's Petronas, is due to start shipments in 2014.

Santos boosted its forecast for the increase in production costs in 2008 by 25% to \$100 MM after a weakening in the Australian currency added to U.S. dollar-denominated production expenses and maintenance spending rose. The company received an average of \$89.81 bbl for its oil in the fourth quarter, down from \$110.76 a year earlier. The average realised gas price jumped 23% to \$4.74 a GJ, mostly because of higher ethane and LNG prices.

Santos invested \$1.63 B on projects and exploration last year, more than its \$1.5 B forecast, and made two oil discoveries in the fourth quarter at the Okapi-1 and Fletcher-3 wells in the Carnarvon Basin in Western Australia. It made one gas discovery, also off the northwest coast, at the Ichthys North-1 well.

Later in 2009, the Mutineer-Exeter oil project off north Western Australia will be shut down for repairs to the production vessel for up to two months. ■