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 HD Australian Santos fends off stalkers with Kipper gas sale
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LP Troubled Australian E&P company Santos has agreed to sell its 35% stake in the Kipper gas field, which is expected to begin producing in 2016, to Japan's Mitsui as part of a A\$3.5 billion (\$2.5 billion) debt reduction program designed to protect it from predators.

Kipper contains an estimated 620 Bcf of gas and 30 million barrels of condensate and LPG. The field is to be developed as part of the \$4.5 billion Kipper Tuna Turrum project, operated by [ExxonMobil](#) and [BHP Billiton](#) 's Gippsland Basin joint venture.

TD Kipper Tuna Turrum is the largest oil and gas development on Australia's east coast, holding a total of 1.6 Bcf of gas and 140 million barrels of liquids. The Turrum and Tuna fields are owned by 50% each by [ExxonMobil](#) and [BHP Billiton](#) , who also own the remaining 65% of Kipper.

The project is currently producing gas for the southeastern Australian domestic market from the Tuna field, while crude oil is being produced from Turrum. Kipper is expected to begin producing next year, after the commissioning of a new A\$1 billion gas conditioning plant at the Gippsland joint venture's onshore Longford processing facility.

In a statement, Mitsui said its interest in Kipper stemmed from anticipated growth in the eastern Australian gas market due to the startup of three new LNG export plants in Gladstone in Queensland. Santos operates one of the plants, which between them produce 25.3 million mt/year of LNG. Once in full operation by 2017, the plants will triple eastern Australia's demand for gas from around 700 petajoules/year to around 2,100 PJ/year.

Kipper has been sold as part of a strategic review launched by Santos in August in response to market jitters about its liquidity. Santos' shares, which closed last Friday at A\$5.91, have been particularly hard hit by the fall in crude oil prices over the past 12 months, dropping from more than A\$15.00 last September to below A\$4.00 on September 30 this year, in the process wiping more than A\$11 billion from the company's capital value.

Kipper is outside of Santos' core asset base, centered on its oil and gas operations in central Australia's onshore Cooper Basin and a growing LNG portfolio. In addition to the sale of the gas field, the strategic review has resulted in a decision to make a A\$500 million private placement to an affiliate of China-based international private equity fund Hony Capital , and a A\$2.5 billion, 1-for-1.7 entitlement offer.

Santos' plan appears to have thwarted an unwanted A\$7.14 billion (\$5 billion) takeover offer unveiled on October 22 by Bermuda-based investment fund Scepter Partners. Santos has rejected the A\$6.88/share offer, labelling it "opportunistic in nature" and saying it failed to reflect the "fair underlying asset value of the company."

Christine Forster

CO bkhlp : BHP Billiton Ltd | exxn : Exxon Mobil Corporation | sants : Santos Ltd | bltpc : BHP Billiton PLC

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