

HD UPDATE: Australia's Santos secures more thirdparty gas for Gladstone LNG project

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Australia's Santos has secured more third-party gas to supply its Gladstone LNG project, signing a binding heads of agreement with the owners of the Meridian coalseam gas fields in the eastern state of Queensland.

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The agreement will commence in 2015 for gas supply over a 20-year period, Santos said in a statement Thursday. The price of the gas will be **oil**-linked from 2016.

The Meridian fields are a joint venture between operator and 51% holder WestSide Corporation and Mitsui E&P Australia, with 49%. The fields have an installed compression capacity of 30 terajoules/day of gas, but are currently producing at about 12 Tj/day.

"The terms of this agreement provide for the staged ramp up in volumes to match deliverability and available financial resources to achieve an optimum economic outcome for the joint venturers," said WestSide Managing Director Mike Hughes . He added that the agreement provided for future sales volumes of up to 65 Tj/d.

"This contract is a **company**-maker which will transform WestSide into a significant gas producer," Hughes said. "A conservative development plan could see the Meridian joint venture supplying 40 Tj/d by 2017, in which case WestSide's share of revenues over the contract term could significantly exceed A\$1 **billion** [\$920 **million**]."

WestSide said stepping production up to this level over three years would require around A\$40 **million** in financing. Expansion to 65 Tj/day or more would require additional investment.

The gas is to be delivered into the GLNG pipeline which passes adjacent to the Meridian field. The project will continue to supply the domestic gas market through its connection to the Queensland Gas Pipeline.

GLNG PROJECT ALMOST 80% COMPLETE

GLNG's vice president of downstream Rod Duke said the project, which will have capacity to produce 7.8 **million** mt/year from two trains at its liquefaction facilities on Curtis **Island** in Gladstone, was approaching 80% complete. The \$18.5 **billion** project remains on schedule and budget for first LNG in 2015, he added.

"Upstream field performance from Fairview and Roma continues to perform either in line or above expectations," Duke said. "All of the gas transmission pipeline is now buried and work has commenced on pushing the pipeline through the marine crossing tunnel, and the first train two module shipment left the yard last week."

Duke added that the agreement with the Meridian joint venture would build on GLNG'S existing gas supply portfolio, which includes gas from the GLNG acreage, underground storage, supply from Santos' portfolio and other third parties. GLNG has previously signed agreements for 750 Pj from Santos' portfolio over a 15-year period, and for a total of up to 559 Pj from Origin **Energy** 's Queensland acreage.

"When combined with GLNG's quality offtake agreements, this gas supply portfolio delivers significant value to the project," Duke said.

Santos operates and holds 30% of GLNG. Its partners in the project are Malaysia's Petronas (27.5%), French major Total (27.5%) and Korea Gas Corporation (15%).

Earlier this month, privately owned **Chinese company** Landbridge **Group** unveiled plans to make a A\$0.36/share off-market takeover offer for WestSide. Shandong province-based Landbridge's offer values WestSide at A\$160 **million**.

WestSide said its **board** had determined that entry into the gas **sale** agreement with Santos was a "**commercial** imperative," delivering the central element of a business plan which was well publicized prior to Landbridge's initial approach.

"Entry into this gas **sale** agreement provides the certainty that is lacking in Landbridge's conditional proposal," WestSide added. "In addition, the **board** has considered the price included in Landbridge's conditional proposal, and has formed the view that it is manifestly inadequate."

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