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**EMBARGOED TO 2pm, 15 May 2009**

**Santos forestry project a ground-breaking solution to CSG water management**

Santos today announced it would create one of Australia's largest forestry plantations as part of its multi-billion dollar GLNG<sup>®</sup> project – the world's first to convert coal seam gas (CSG) to liquefied natural gas (LNG).

It's the first large scale plantation project approved for the beneficial use of water produced in the extraction of CSG.

The \$50-million Stage 1 of the plantation, at Fairview near Roma in the state's south west, has now been approved by the Queensland Government. It comprises two million native Chinchilla hardwood gum trees and agricultural feed crops over 2,234 hectares – making it visible from space.

Plans are currently under discussion to extend the plantation up to six million trees.

GLNG and Queensland President Rick Wilkinson said more than 515,000 trees had already been planted and 1300 kilometres of irrigation pipelines laid. A further 715,000 trees would be planted in the next three months.

"Gas producers around the world, and particularly here in Queensland, have been working to find a way to beneficially use up to tens of mega litres of water produced each day in the extraction of gas from coal seams. It is the major difference – and challenge – between extracting conventional natural gas, and producing coal seam gas."

Santos and Malaysia's PETRONAS have ten drilling and completion rigs operating in the Fairview/Roma area as they develop the gas reserves to feed the proposed GLNG plant 435kms from Fairview on Curtis Island in Gladstone Harbour.

Mr Wilkinson said the plantation not only delivered an innovative Australian solution to a global challenge, but it offered significant sustainable benefits to the environment and the Queensland community.

"For each plantation, there may be opportunities for commercial timber harvesting or carbon sequestration, or both. Timber harvesting could occur at years six and eight. For Stage 1 alone, we could expect to be producing up to 400 cubic metres of saw logs per hectare for milling – during final harvesting 25 years from now.

"A further 234ha of centre pivot irrigation has been constructed which is currently providing water to winter crops and will eventually be applied to Leucaena. This high quality cattle forage could be expected to significantly increase beef production in the area.

“In Stage 1, four new water treatment plants and an existing desalination plant will treat around 24 mega litres (10 Olympic sized swimming pools) of water a day for drip irrigation onto the native hardwood gums, and irrigation of agricultural crops.

“In the plans for further expansion, the combined water handling capability would be up to 72 mega litres a day.”

Santos has also installed state of the art water and soil monitoring facilities at locations throughout the plantation and on local rivers and adjoining properties.

Mr Wilkinson said Santos was committed to the sustainable management of the plantation within strict guidelines that had been agreed with the regulators.

He said the project would create up to 100 jobs as well as major research opportunities for the Australian agroforestry and water industries, and educational opportunities for schools and universities around beneficial water use and carbon emission reduction.

“There are already eight local and regional contractors with 60 staff engaged in cultivation, mulching, tree planting and ongoing site preparation.

“We anticipate up to 20 specialist contracting companies and four (4) full time staff will be needed to maintain and monitor the forest.

“This is a Santos and PETRONAS funded commitment that will improve the sustainability of rural communities.”

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