



**blenheim partners**

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## **The Blenheim Report**

**Numbers & Strategy**

**Energy, Oil & Gas**

**October 2013**



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- We provide an end to end international search process, including Assessment and a 90 day On Boarding Programme.
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- We provide a fixed fee of which the final 25% is only payable if our client assesses that expectations have been exceeded.
- We have “no limitations” in the pursuit of excellence.

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| ENERGY (OIL & GAS)          |                    |   |                             |                        |                        |                            |                            |                                      |                                      |                          |                          |                               |                               |
|-----------------------------|--------------------|---|-----------------------------|------------------------|------------------------|----------------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|
| Company                     | REVENUE<br>FY 2013 | REVENUE<br>FY 2012/<br>Calendar<br>2012 | REVENUE<br>Calendar<br>2011 | EBITDA FY<br>2013      | EBITDA FY<br>2012      | EBITDA<br>MARGIN<br>2013 % | EBITDA<br>MARGIN<br>2012 % | NPAT FY<br>2013/<br>Calendar<br>2012 | NPAT FY<br>2012/<br>Calendar<br>2011 | NPAT<br>Margin<br>2013 % | NPAT<br>Margin<br>2012 % | ROA FY13/<br>Calendar<br>2012 | ROA FY13/<br>Calendar<br>2011 |
| BP Australia <sup>1,2</sup> |                    | 23,057,000                              | 21,363,000                  | 2,053,000              | 2,752,000              | 8.9                        | 12.9                       | 270,000                              | 793,000                              | 1.2                      | 3.7                      | 2.1                           | 5.7                           |
| Chevron Australia           |                    | 5,660,808                               | 4,107,152                   | 5,470,224              | 3,737,371              | 96.6                       | 91                         | 2,523,451                            | 2,083,620                            | 44.6                     | 50.7                     | 7.5                           | 8.9                           |
| ConocoPhillips              |                    | 3,581,260                               | 3,502,212                   | 1,617,592              | 1,573,248              | 45.2                       | 45                         | 537,912                              | 580,328                              | 15                       | 16.6                     | 3.8                           | 4.4                           |
| ExxonMobil<br>Australia     |                    | 8,756,000                               | 6,950,000                   | 1,632,000              | 1,697,000              | 18.6                       | 24.4                       | 419,000                              | 466,000                              | 4.8                      | 6.7                      | 2.2                           | 3                             |
| Oil Search                  |                    | 703,629                                 | 713,188                     | 377,744                | 462,814                | 53.7                       | 64.9                       | 169,504                              | 195,194                              | 24.1                     | 27.4                     | 2.5                           | 3.6                           |
| Origin Energy               | 14,619,000         | 12,935,000                              |                             | 2,181,000              | 2,257,000              | 14.9                       | 17.4                       | 378,000 <sup>3</sup>                 | 980,000 <sup>3</sup>                 | 2.6                      | 7.6                      |                               |                               |
| Santos                      |                    | 3,454,000                               | 3,556,000                   | 1,747,000              | 1,925,000              | 50.6                       | 54.1                       | 519,000                              | 753,000                              | 15                       | 21.2                     | 3.1                           | 4.8                           |
| Shell Australia             |                    |   |                             |                        |                        |                            |                            |                                      |                                      |                          |                          |                               |                               |
| Woodside<br>Petroleum       |                    | 6,223,000                               | 4,802,000                   | 4,552,000 <sup>4</sup> | 3,687,000 <sup>4</sup> | 73.1                       | 76.8                       | 2,983,000                            | 1,507,000                            | 47.9                     | 31.4                     | 13.02                         |                               |

### Notes

<sup>1</sup> All figures are in \$AUD000

<sup>2</sup> All numbers are calendar year except for Origin Energy which is fiscal year

<sup>3</sup> Statutory Profit

<sup>4</sup> EBITDAX = earnings before interest, tax, depreciation, amortisation and exploration

## SANTOS PTY LTD

**Market cap:** \$453.35m | **Revenue:** \$1.13bn (FY13) | **NPAT:** \$90.4m (FY13) | **Employees:** 5,700 + | **Operations:** Australia, UK & Africa | **Head office:** Perth

Santos has been an Australian energy pioneer since 1954, and is today a leading oil and gas producer, supplying Australian and Asian customers. With its origins in the Cooper Basin, Santos is one of Australia's largest producers of gas to the domestic market and has the largest exploration and production acreage position in Australia of any company.

Santos has also developed major oil and liquids businesses in Australia and operates in all mainland Australian states and the Northern Territory. The company also has an exploration-led Asian portfolio, with a focus on three core countries: Indonesia, Vietnam and Papua New Guinea.

From this base, Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in four LNG projects, including GLNG and PNG LNG. The Company's substantial pipeline of projects ensures it is well positioned to achieve its long term strategic production goal of 80 to 90 million barrels of oil equivalent by 2020.

At the end of 2012, Santos' total proved and probable (2P) hydrocarbon reserves were 1,406 million barrels of oil equivalent (mmboe). This represents a 2P reserves replacement ratio of 180% and provides a reserves life of 27 years based on 2012 production of 52.1 mmboe. 2012 continued Santos' consistent track record of reserves growth, and the company has increased reserves in eight of the past nine years whilst producing over 480 mmboe in the same period.

On 16 August 2013 Santos announced its first-half results for 2013. It produced 24.5 mmboe for the six months period from its participation in 27 different producing operations and revenue was a record \$1.5 billion. The company delivered a 3% increase in net profit to \$271million. Santos also announced that all development projects are on schedule and capital cost estimates remain unchanged.

## Kipper Gas Project

The Kipper Gas Project venture participants include Esso Australia 32.5% /BHP Billiton Petroleum 32.5%/ Santos Limited 35%. Esso Australia is the Operator of Kipper Tuna Turrum fields.

The Kipper facilities were completed in 2012 including construction and commissioning of the subsea facilities, pipelines, control umbilicals and associated facilities on the West Tuna platform. The Kipper facilities are expected to come on line in 2016 following the installation of mercury removal facilities at Santos' onshore facilities in Longford.

The Kipper field holds approximately 620 billion cubic feet of recoverable gas and 30 million barrels of condensate/LPG. It is located in 100 metres of water, approximately 45 kilometres off the Gippsland coast of Victoria. Facilities for the Kipper field include subsea wells, coolers and a manifold. The produced gas and condensate will be transported via a new looped pipeline laid on the seabed to the existing West Tuna platform. Two new pipelines, one from West Tuna to Marlin and another from Marlin to Snapper have also been installed for Kipper production and development of the Tuna gas cap.

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## PNG LNG Project

The PNG LNG Project venture participants include ExxonMobil 33.2% / Oil Search 29% / Santos 13.5% / Nippon Oil 4.7% / National Petroleum Company PNG (PNG Government - 16.6% / Mineral Resource Development Corporation / State (MRDC) 2.8% / the land owners and Petromin PNG Holdings 0.2%.

PNG's Government retained the right to take a 22.5% stake in the Hides, Angore and Juha gas fields. Esso Highlands is the Operator.

## Gladstone LNG Project

The Gladstone LNG Project will have two LNG trains with a combined capacity of 7.8 mtpa, and is expected to be completed in 2015. The venture participants include Santos 30% / Petronas 27.5% / Total 27.5% / KOGAS 15%. Santos is the Operator.

The project has an estimated total capital cost of US\$18.5 billion and as of October 2013 was 60% completed. For details please see attached web link.

<http://www.santos.com/exploration-acreage/development-projects/glng.aspx>

Clough Downer secured a high-profile contract GLNG K128 in September 2011 (through Fluor) worth around \$600 million. Clough reported that project productivity improved through 2013.

## Santos' LNG Portfolio in Summary

- Darwin LNG (Santos 11.5%), Operator ConocoPhillips. Production since 2006.
- PNG LNG (Santos 13.5%), Operator ExxonMobil. First LNG expected 2H 2014.
- GLNG (Santos 30%), Operator Santos. First LNG expected 2015.
- Bonaparte LNG (Santos 40%), Operator GDF Suez. Proposed floating LNG.

## Oil and Gas Operations

Oil & Gas operations delivered 52.1MMboe and cover Santos' share from the 27 oil and gas production facilities it participated in. The data is from calendar year 2012.

## Current Company Issues And Politics – JV Relationships, Government Issues

During 2013 Santos has been at the forefront of the debate about the looming gas shortage facing NSW in the coming years and the resulting price increases in gas prices expected. Santos placed itself in a strategic leadership position in the CSG industry in NSW when it acquired Northern Star in November 2011. However, increasing concerns in the community about a range of potential negative effects as a consequence of CSG operation has changed the operational landscape significantly and negatively for Santos in NSW.

On 3<sup>rd</sup> October 2013 the NSW State Government extended its CSG exclusion zones further and these zones now cover 2.8 million hectares. The State Government effectively ignored years of intense lobbying from a range of CSG stakeholders and instead decided to follow the demands of community, farming and environmental groups. NSW now have the toughest CSG regulations in Australia. The details are in the press release: <http://www.planning.nsw.gov.au/DesktopModules/MediaCentre/getdocument.aspx?f=1&mid=1340>

At this stage it is not clear what the medium term consequences will be for Santos and the NSW CSG industry of these new and tough exclusion zones. However, Martyn Eames, VP Asia Pacific for Santos noted at a conference in Kuala Lumpur in June 2013 “to successfully deliver these unconventional (gas) resources, public confidence and land access must be managed carefully – by both developers and governments. How this is managed will have an impact on the pace of unconventional gas development.”

At present, Santos’ \$2 billion Pilliga (Narrabri) project has already slipped to a 2017 start date, and possibly further delays are a real possibility.

[http://www.afr.com/p/business/companies/santos\\_still\\_hot\\_on\\_nsw\\_coal\\_seam\\_7MJ7MV2G90ZhTjB16luB7L](http://www.afr.com/p/business/companies/santos_still_hot_on_nsw_coal_seam_7MJ7MV2G90ZhTjB16luB7L)

### Future Developments

In the speech in June 2013, mentioned above, Martyn Eames talked about how Santos is leveraging its experience in Australia to assist in the development of unconventional resources in Asia. The company is investing in PNG, Bangladesh, Vietnam and Indonesia and in 2012 Santos’ Asia Pacific business contributed nearly 20% of the company’s total production.

Santos unconventional activities are focussed on CSG opportunities in Indonesia where the government has high hopes for the transformational potential of its own CSG resources. Santos signed a farm-in agreement in two CSG licenses in South Sumatra with its partner Sugico in 2012. And in 2013 this partnership was extended with the addition of two further licenses. The exploration acreage is close to the existing South Sumatra to West Java pipeline. This move into greenfield acreage in Indonesia fits well with Santos business model according to Martyn Eames.

In Australia Santos’ unconventional gas exploration schedule for 2013 include Denison in Queensland, Mereenie unconventional cores in the Amadeus Basin in NT, CSG in NSW in Gunnedah/Narrabri and both conventional and unconventional gas in Cooper Basin ( to deliver growth from 2015).

The Bonaparte LNG is a joint venture between Santos 40% and GDF Suez (60% and Operator). Floating LNG technology is being investigated and Santos has stated earlier this year that they are targeting FEED entry in early 2014. Some further details regarding the project can be accessed through the link below, however, the information on the Santos website seems not to have been updated recently. The project will employ floating LNG technology and produce 2.4 mtpa.

<http://www.gdfsuezbonaparte.com.au/>

Concept studies are underway for the Caldita Barossa in NT. SK E&S to fund up to US\$520 million in appraisal drilling, pre-FEED, FEED and milestone payments. This project could be tied in with Santos existing operations at the Darwin LNG.

In September 2013, Santos stated that both the Bonaparte LNG and Narrabri CSG projects are likely to be sanctioned. Longer term projects include PNG LNG expansion, Browse LNG, Cooper shale, Cooper tight gas, Zola, Winchester, Amadeus and MacArthur and in Asia upside potential is Vietnam and Indonesia CSG.

## Recent News

19 October 2013

The Australian

Santos announced it will miss 2013 production forecasts.

Article: <http://www.afr.com/Page/Uuid/1a2bb894-231a-11e3-9240-1db44f74ad57>



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ABN 21 160 009 236

Level 5, 17-19 Bridge Street, Sydney NSW Australia

p +61 2 9253 0950

w [blenheimpartners.com](http://blenheimpartners.com)