



QUPEX

WALTER SIMPSON – “DELIVERING CSG”

TUESDAY, 19 FEBRUARY, 2013

Good afternoon ladies and gentlemen.

Firstly, let me acknowledge the traditional owners of the land on whose country we meet today.

My name is Walter Simpson and I'm Operations Director at QGC.

Most of you will know that we are the Australian arm of BG Group, a UK-listed oil and gas company with interests in more than 20 countries.

QGC's priority development is the Queensland Curtis LNG Project, which will be a world's first to convert coal seam gas into liquefied natural gas.

It's a great pleasure to be with you today.

This is the first time that I've met many of you so I'll tell you something about myself.

I've been an engineer in the oil and gas industry, working around the world, for almost 30 years.

I joined BG Group in the late 1990s and before coming to QGC I was in charge of BG's operations in India.

I've been with QGC since last May – so as you can imagine I've been on a very steep learning curve.

After India, I'm sure you'll understand when I say that my family and I are still adapting to the abundance of empty space, the absence of people and the quiet – although there is a kookaburra in my garden that is determined to ruin that at four every morning!

I have been working to understand the challenges we face as an industry – as well as the vast opportunities – and I'm astounded at the scale of the progress that's been achieved in what is, for the global gas business, a very short time.

When the days seem long and tough, those in this industry should all take a moment to reflect on how far we've come.

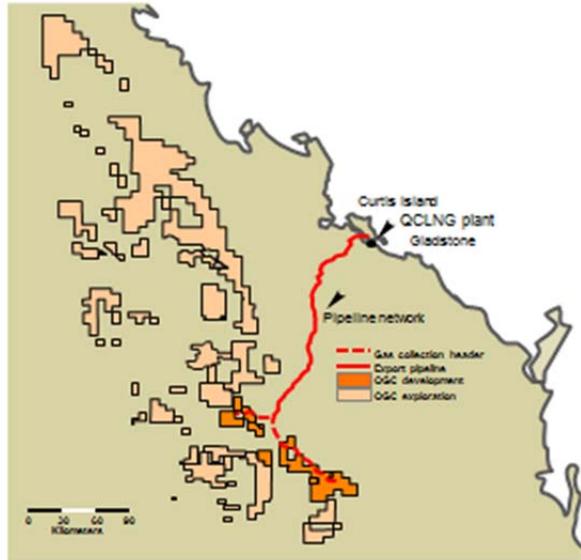
In the conversion of coal seam gas to liquefied natural gas we are part of a world-scale undertaking that has never been attempted before.

It is vitally important that, as an industry, we share knowledge, learn from best practices and innovate to limit the impact and maximise the benefits of our projects while we work together to put safety first.

QGC is proud to be a sponsor of Qupex and I'd like to recognise the association's terrific efforts in bringing us all together at events like this, where most of the business gets done after the main speaker.

Today I want to address three things: the scale of the industry's activities; how we sustain our relationships with those most affected by these activities; and the fundamental issue that underpins the success of these and all our endeavours – safety.

Queensland Curtis LNG



3

So first let's talk about scale.

The next few years will continue to be a huge professional challenge for all of us.

For those of you who are unaware of the Queensland Curtis LNG project or, QCLNG, this project involves significant expansion of QGC's gas production operations in the Surat Basin and transporting that gas via a 540-kilometre underground pipeline to Curtis Island.

On Curtis Island the gas will be cooled to a liquid for transport by ship to the Asia-Pacific markets.

First LNG is scheduled for next year – and I'm pleased to say we're on track, with about half the project completed.

QCLNG involves a multi-billion-dollar investment and we are proud that the economic and social benefits of our project match the scale of the technical and logistical tasks.



We will create thousands of jobs during construction and up to 1000 in Queensland during operations.

We now employ more than 9,000 staff and contractors.

When we are in full production, we will pay about one billion dollars a year in taxes and royalties to the Commonwealth and Queensland governments.

We will also provide a 32 billion-dollar boost to the Queensland economy over 10 years.

So let me tell you briefly how we're doing on the ground.

All aspects of gas infrastructure construction are progressing well.

In the gas fields, we have more than 1600 land access agreements and have been signing them at an average of more than one a day to be on target for the roughly 2000 agreements required for 2014.

These agreements have allowed us to drill more than 1,100 wells, more than half of those required by 2014.

In December, we had 11 rigs working and we are drilling about 50 wells a month.

We expect to maintain this level of activity throughout this year.

With about 100 wells feeding each field compression station, work on six of these stations is under way and two recently finished facilities are operating.

The field compression stations, in turn, will feed six central processing plants which direct gas into the 42-inch, main pipeline.



Pipeline – The Narrows

Nearly all of the pipeline's 540-kilometre easement has been cleared and about half of the total pipeline has been lowered into the trench and back filled.

This is the largest-diameter long-distance onshore pipeline in Australia.

We have also made great progress laying the main gas pipeline across The Narrows in Gladstone Harbour, only yesterday beginning the major "pipe pull" from the mainland to Curtis Island.

The work has involved construction of a two-kilometre-long road, two bridges and a railway line to move the pipe across the

marshes, all of which will be removed when the pipeline is finished.

The crossing is a world-class engineering achievement.

With more than 130,000 tonnes of equipment and bulk materials delivered to Curtis Island, the final shape of the LNG plant is becoming clear.

Where excavators and graders were operating a year ago, construction teams are now working 12-hour shifts installing pre-fabricated modules as well as compressors, cold boxes, gas turbines and utilities.

In a major milestone only 10 days ago, the 900-tonne steel roof was raised to the top of the first of two LNG storage tanks.

Construction of its twin tank is well under way.

These are critical path items so we are delighted with progress.



On top of all this we are setting up QGC for further growth by expanding our exploration activity.

This year alone we will spend more than 250 million dollars looking for new fields.

In our core acreage in the Surat Basin, we're looking to increase our reserves of coal seam gas by through seismic surveys and exploration wells.

Further north, in the Bowen Basin west of Rockhampton, we are furthering an exploration program for coal seam gas that has been running since late 2010.

We are also exploring for natural gas in deep sandstone plays.

Four wells have been drilled to date with one of these, about 25km west of Condamine, being the deepest well drilled in Queensland at 4,694 metres.

In the Cooper Basin, close to the border of Queensland and South Australia, we are also exploring a shale gas opportunity.

Seismic was completed last year with two wells planned for this year followed by an appraisal program of up to eight wells by 2015.

All in all a large exploration program which underlines BG Group's commitment to its unconventional gas strategy in Australia.

Suffice to say, we do not have too many idle hands at QGC!

Now let me point out the obvious – we have a lot of neighbours to consider.

While much of the oil and gas industry operates in oceans and sparsely populated regions, QGC has more 1000 landowners as neighbours.

So, what of the gas industry's relationships with those most impacted by our widespread activities?

We are their guests and, although we will be around for decades, some in rural areas consider us to be mere visitors.

Some operate farms that have been worked for generations – and they want to pass it on in great shape to the next generation.

Then a gas company representative knocks at the door.



We ask for access to their properties for exploration, the construction and operation of wells, water and gas gathering systems, water and gas transmission pipelines, roads and related infrastructure.

To spend a moment in the shoes of such a landholder: imagine if that were us in a boardroom meeting. How would we react if the cleaner walked in and informed us that he or she would be cleaning in the room for a while and that we should just carry on as normal?

That was an analogy posed to me by a landholder in the Bowen Basin.

And quite right he was too.

Of course, we are bringing huge benefits to communities.

The fact is that change – even change for the better – doesn't necessarily come easily.

Consider, by way of example, the millions of kilometres that our trucks and other vehicles are driving in communities and the associated impacts that we must manage.

We must demonstrate coexistence in every single aspect of our activity – bar none.

The dividend will be that communities welcome us back.

The question is: what approach must we take?



Is there a single mindset that ensures we earn the respect of communities day after day?

I believe that there is and it is this: safety.

Keeping safety at the forefront of our minds is a demonstration of respect for ourselves and respect for others – for all of the people associated with our activities.

Maintaining the mindset of safety is also crucial for us in a respectful approach to the environment; to property; and to maintaining the integrity of our assets.

A single mindset – and by extension – a single set of behaviours is absolutely crucial to being a good neighbour.

In a practical sense, we have to conduct ourselves as if our children were watching us.

We have to close gates.

Not only is this respectful but it stops cattle wandering on to roads.

We have to clean up our rubbish.

Untidiness is not part of a safety mindset.

We must ensure that all of our contractors understand their responsibilities to landholders.

Strong relationships support a safety mindset.

With our 1,600 landholder agreements we must be doing something right – but we know there is much room for improvement.



Yes, our greatest challenge is safety.

And let's remind ourselves: safety is your responsibility; it is my responsibility.

It cannot be delegated.

LNG projects are significant undertakings.

As construction of the QCLNG Project ramps up our work levels have doubled in the last year to over three million man hours a month.

We employ thousands of people, some experienced and some not.

As an industry we are undertaking more hazardous tasks than ever before.

So what does the CSG industry's safety performance look like?

The most recent APPEA statistics show a rate of recordable injuries per million hours worked of a little over five.

Compare all of this to the international oil and gas average of about two.

We must maintain a safety mindset to ensure we put this right.

Consider the impacts on the broader community of getting it wrong.

Look at the incidents at Longford in Victoria, in 1998, and 10 years later at Varanus Island in Western Australia and the impacts they had on communities.

People died and were injured at Longford and economies were damaged, particularly after Varanus Island – and the community rightly questioned safety practices and commitments made to operate safely.

We must be aware of these risks and, more importantly, be prepared for them.

QGC has set up a major accident hazard training facility at the Queensland Fire and Rescue Training Academy at the Port of Brisbane.

The centre is set up to train both our and emergency services staff and is equipped to safely demonstrate live fires and explosions fuelled by gas.

Several years ago we agreed, as an industry, that we will not adversely compete on safety.

HSSE managers in the CSG companies have been given full authority – and are encouraged – to work together on common challenges.

For several years we've been delivering joint programs such as the medical evacuation helicopter service in the Surat Basin and now in Gladstone.

During the recent flooding we served the community well by supplying two of the three industry-funded helicopters for 120 rescue and recovery flights in flood-stricken areas, primarily around Bundaberg.

We have also worked together on vehicle safety initiatives in driver training and heavy haulage standards; well-head leak management; fatigue management; bushfire safety and mutual emergency response capability.



We also have close working relationships with law enforcement bodies and government security agencies across the community areas in which we operate.

But there remains a long way to go if we are to operate – as we can, and as we must – without incident and without injury.

Each of us in the gas industry must answer this question in the full light of day: do we have a safety mindset?

The moral drivers for safety are obvious.

Happily, the commercial drivers are equally compelling.

In my experience, people who manage safety effectively are also often top overall performers.

The mindset and behaviours that we adopt to ensure the safety of people, the environment and equipment will also enable us to deliver successful businesses.

The same approach is necessary to maintain solid, long-term relationships in the community.

There really is no difference in thinking.

If you take nothing else away from today, please remember that it is our behaviour, our approach to safety and how we deal with our neighbours that sets the tone for how the community at large views our industry!

Thank you.

ENDS