

# News

Phillips Petroleum Company  
Australia Pty Ltd  
Perth, Western Australia 6005  
www.phillips66.com



*FOR IMMEDIATE RELEASE*

## **Phillips – Multiplex Execute Agreement for Bayu-Undan Subsea Gas Pipeline**

PERTH, WA, 13 September 2000 --- Phillips Petroleum Company Australia Pty Ltd, through an affiliated company, and Multiplex Constructions Pty Ltd are pleased to announce that a Letter of Intent has been executed between the companies relating to the construction of the first commercial natural gas pipeline from the central Timor Sea to a destination point near Darwin, Northern Territory, Australia. As a result of this agreement, the first delivery of natural gas from the Timor Sea region to Darwin is a step closer to reality.

The agreement covers engineering, design and survey work in preparation for the procurement, fabrication and installation of a concrete-coated steel pipeline commencing at the Bayu-Undan gas and gas condensate field located in the Timor Gap Zone of Cooperation and extending 500 kilometers to Wickham Point on the Middle Arm Peninsula in Darwin Harbour. Under the Letter of Intent, Multiplex with support of its principal sub-contractors, Kvaerner, Saipem and EMC, have provided to Phillips a lump-sum, fixed-cost price relating to installation of a base pipeline along with options for several larger pipeline sizes.

This Letter of Intent represents another milestone achievement in Phillips' and its co-venturers' plan to commercialize the natural gas reserves from the Bayu-Undan field simultaneous with production of the field's liquids reserves in early 2004. Phillips, on behalf of its co-venturers and the Timor Gap Joint Authority, has made significant progress in securing markets for Bayu-Undan gas.

While the pipeline can be economically justified solely on the gas export capabilities of Bayu-Undan, Phillips is in discussion with other Timor Sea gas producers to secure additional gas supplies to underwrite installation of a regional gas gathering and processing infrastructure. A final decision on the size of the pipeline by early 2001 will allow the Bayu-Undan project to fulfill an early 2004 onshore gas supply obligation.

With arrangements in place to fix the full costs of both the Bayu-Undan gas production facilities and the gas export pipeline to Darwin, Phillips and its co-venturers can offer potential gas customers firm, competitive pricing and guaranteed deliverability commencing in 2004.

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The Bayu-Undan field contains estimated recoverable reserves of 400 million barrels of condensate and liquefied petroleum gas (LPG) and 3.4 trillion cubic feet of natural gas. The field straddles production sharing contract areas 91-12 and 91-13 in Area A of the Timor Gap Zone of Cooperation (ZOCA) between East Timor and Australia. The field is located in 80 meters of water 250 kilometers south of Suai, East Timor. Due to the depth and seismic activity of the Timor Trench located north of the field, gas from ZOCA must be transported to Australia by a subsea pipeline for further processing or use.

In February 2000 Phillips, as operator of the field, announced that final approvals to develop the US\$1.4 billion Bayu-Undan Gas Recycle Project had been received from the Timor Gap Joint Authority. That project involves the production and processing of wet gas, separation and storage of condensate, propane and butane, and reinjection of dry natural gas back into the reservoir. Full commercial production is scheduled in early 2004.

The Bayu-Undan project co-venturers and their initial participating interest include Phillips (50.3 percent), Santos (11.8 percent), Inpex (11.7 percent), Kerr-McGee Corp. (11.2 percent), Petroz (8.3 percent) and British-Borneo [Agip], (6.7 percent).

Phillips Petroleum Company is an integrated petroleum company engaged in oil and gas exploration and production worldwide; refining, marketing and transportation operations; chemicals and plastics manufacturing and sales worldwide; and technology development and licensing. Founded in Bartlesville, Oklahoma, in 1917, Phillips had 14,800 employees, US\$20 billion of assets and US\$20 billion of annualized revenues as of June 30.

For more information about the Bayu-Undan project, see our detailed Web site at <http://bayuundan.phillips66.com>.

Contact: Jim Godlove - Phillips  
08-8981-8666

Don Lewis – Multiplex  
08-9226-2450

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**CAUTIONARY STATEMENT FOR THE PURPOSES OF THE "SAFE HARBOR"  
PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

The contents of this document contain forward-looking statements made by, or on behalf of, Phillips Petroleum Company and other Unit Participants. Neither Phillips nor other Unit Participants undertake to update or revise any of these forward-looking statements. These include, without limitation, statements relating to operations, plans, strategies, objectives, expectations and limitations. These statements are not guarantees of future performance or results. Rather, due to risks, uncertainties and other factors, actual results may differ materially from those expressed in any such forward-looking statement. The following are certain (but not necessarily all) important risk factors that could cause actual results to so differ:

Plans to drill wells and develop Bayu-Undan are subject to: the ability to obtain agreements or consents between or from co-venturers and/or governmental authorities; engaging drilling, construction and other contractors; geological, land or sea conditions; world prices for oil, natural gas and natural gas liquids; applicable treaty, law or regulatory requirements; and the availability of economical financing.

Estimates of proved reserves, raw natural gas supplies, and project cost estimates have been developed using the latest available information and data and recognized techniques of estimating, including those prescribed by the U.S. Securities and Exchange Commission, generally accepted accounting principles and other applicable requirements.