

BG GROUP



BG Group

First Quarter 2010 Results

29 April 2010

Introduction: Chris Lloyd, Head of Investor Relations

Good afternoon ladies and gentlemen and welcome to BG Group's first quarter results.

During the course of this conference call, Frank Chapman, Chief Executive, will take you through the quarter's key business highlights, and then Ashley Almanza, Chief Financial Officer, will look in more detail at the financial results. After this we will take questions.

During this presentation we'll be focusing on our Business Performance as highlighted in our results statement. We will also be making various forward-looking statements. Factors that could cause our actual results to differ materially from the results we currently expect are identified in detail in the statements issued today.

Thank you, and now over to Frank.

Frank Chapman, Chief Executive

Good afternoon, Ladies and Gentlemen.

I'm sure you will have read our results statement; so let me begin by spending a few moments taking you through the main points.

This quarter we have delivered a good set of operating results and we have made excellent project progress which has further de-risked our key ventures in Australia, Brazil, the UK and the USA. In addition we have continued to strengthen and rebalance our global portfolio with the expansion of our US upstream position.

Total operating profit was \$2 billion, up 9% and cash generated by operations was up 26% to \$2.5 billion.

In Exploration and Production, total operating profit for the quarter was \$1.2 billion, up 43% on the same quarter last year. This reflected a 6% increase in production volumes and higher oil and liquids prices, partially offset by lower realised gas prices.

In the USA, we expanded our shale gas business through the joint agreement with EXCO, to acquire the Texas-based shale gas company, Common Resources. This acquisition will increase our reserves and resources in this region to around 5 trillion cubic feet.

Turning to Brazil, we continue to make excellent progress with the construction of the first permanent Tupi FPSO facility, expected onstream at the turn of the year. We also drilled two further successful appraisal wells on Tupi. Evaluation of well data is ongoing and work on optimising field development continues to advance.

In the North Sea, we have approved submission of the Field Development Plan to the Norwegian Ministry for the Pi project. It will be developed via a tie-back to our existing Armada infrastructure. Pi will be the Group's first producing field in Norway and production is due to begin by 2012.

BG Group and our partners continue to progress towards first production from the UK Jasmine field, also in 2012. So far this year we have awarded contracts for the drilling rig and the fabrication of jacket and topsides.

Now to LNG

Total operating profit for the quarter was \$633 million.

Our Australian business has continued to gain momentum over the quarter. In February, we signed the plant Engineering, Procurement and Construction contracts with Bechtel for the Queensland Curtis LNG plant. QGC has also begun to commit to contracts to procure long-lead items, valued at more than \$3 billion.

And in March, we signed the fully termed LNG contract with CNOOC for the supply of 3.6 million tonnes per annum of LNG over 20 years.

BG Group also signed a new Heads of Agreement with Tokyo Gas to supply 1.2 mtpa of LNG from 2015. This will represent the first purchase by a Japanese company of LNG manufactured from coal seam gas.

BG Group also agreed, in its role as sole market aggregator, long-term contracts for the sale of a total of 1.5 mtpa of regasified LNG to six power generating companies in Singapore. This is the first tranche of contracts to be confirmed under the LNG aggregator agreement.

In total, we have now secured up to 9.5 mtpa of LNG sales in Chile, China, Japan and Singapore.

Turning now to Transmission and Distribution, total operating profit for the quarter was \$125 million.

And finally, in Power, total operating profit increased by 57% to \$55 million.

In March we agreed the sale of all our US power assets to Energy Capital Partners and yesterday we agreed the sale of our 50% interest in Seabank Power in the UK. Both transactions are expected to complete in the second quarter of the year.

In summary, then:

- BG Group has delivered a good set of results this quarter.
- We have made excellent project progress which further de-risks our key ventures in Australia, Brazil, the UK and the USA.
- And we have continued the strengthening and rebalancing of our global portfolio with the expansion of our US upstream position.

And now over to Ashley.

Ashley Almanza, Chief Financial Officer

Thank you Frank, and good afternoon ladies and gentlemen.

The Group has posted a good set of results for the first quarter with total operating profit of \$2.0 billion and cashflow from operations of \$2.5 billion.

In our E&P segment, production was 6% higher as the Hasdrubal field in Tunisia ramped up and as our production grew in the USA and Australia. The performance in the first quarter was broadly as we expected and our guidance, of only slight production growth for the full year, remains unchanged.

E&P operating profit of \$1.2 billion was up by 43% with the increase in production and higher oil prices being partially offset by lower gas prices.

Our average realised gas price fell by 17% year-on-year to 37.4 cents per therm. This reflected three factors:

- firstly, lower contract and spot prices in the UK

- secondly the lagged effect of oil indexation on international contract prices.
- And finally, an adverse mix effect due to a lower proportion of UK gas production. As discussed at our Strategy Presentation in February, UK production declines in 2010 before recovering as our new UK projects come through in 2012.

Unit opex in the quarter was \$6.95 per barrel of oil equivalent. The increase over last year is in line with our expectations and guidance for the full year remains at around \$7.0 per barrel of oil equivalent. If prices remain above our reference conditions of \$70/bbl then we expect to see a modest increase in full year unit opex.

The exploration charge of \$104 million in the quarter is \$148 million lower than last year as a result of lower well write-offs. As before, we expect our gross exploration expenditure for the full year to be around \$1.4 billion with a P&L charge of some \$700 million.

In our LNG segment the first quarter operating profit of \$633 million was 23% lower than last year.

Operating profit from liquefaction activities was \$5 million lower at \$83 million mainly due to lower prices.

Shipping and marketing profits of \$585 million were 25% lower than in the first quarter of 2009, principally due to lower realisations. Our guidance range for the LNG segment remains unchanged at \$1.8 billion to \$2.0 billion for 2010.

Total operating profit in Transmission and Distribution was up \$10 million to \$125 million, principally as a result of stronger volumes and margins in India. At Comgás, total operating profit was in line with 2009 and the recovery of past gas costs was substantially completed this quarter.

In the Power segment, total operating profit increased by \$20 million to \$55 million, principally due to lower fuel costs in our Italian business.

During the quarter we signed an agreement to sell our power plants in the USA and, in April, we signed agreements to sell our interest in Seabank Power in the UK and to sell our E&P assets in Canada. All of these assets have therefore been classified as held for sale and impaired where required - resulting in a post-tax charge of \$263 million.

Net finance costs of \$18 million were \$49 million lower than 2009 due to currency gains of \$51 million reflecting exchange rate movements on cash and short term debt balances.

After adjusting for these gains, the underlying run rate for the first quarter was \$69 million which is a good indication of the quarterly run rate we expect for the rest of the year.

Our effective tax rate for the quarter was 42% and, as previously indicated, I expect our full year rate to be around this level.

Earnings per share increased by 13% to 33.2 cents per share.

Cash generated by operations in the quarter increased by 26% to \$2.5 billion. Capital investment in the quarter was \$1.9 billion. Our full year guidance is \$7.7 billion including \$223 million for the joint acquisition of Common Resources in the USA. We ended the quarter with gearing of 16%.

In conclusion, the Group has delivered a good financial performance in the first quarter, broadly in line with our expectations and leaving our guidance for 2010 unchanged.

That concludes my remarks and now Frank and I will be pleased to take your questions.

Q&A session

Theepan Jothlingham,

Morgan Stanley:

A couple of questions actually just on LNG. A very strong number there and I saw the number of diverted cargoes. I was just wondering if you could give us a feel for what further opportunities you are seeing in the portfolio to divert cargoes and perhaps give a little bit of colour on what the split was between Asia and Europe for Q1?

The second question, again very good progress securing long term contracts, I think you referred to 9.5 million tonnes. I was just wondering how far, or how much further you would go in terms of marketing the BG LNG portfolio? Is there sort of a cap you're looking at? And then perhaps put that in the context of how you see the opportunity for a further train in Australia?

Frank Chapman:

Yes, Theepan let me just touch on the second question first and I'll ask Ashley to take us through the distribution of those cargoes and offer some of his thoughts on your first question.

With respect to how far are we prepared to go? First off I would say that I do think the marketing performance of the team has been excellent in managing to secure, in this fairly short period of around one and a half years, such a large amount of LNG into the market. And where we are I believe is we have eight plus million tonnes per annum coming out of QCLNG. We have in addition to that a portfolio of 12 to 13 million tonnes coming from our global portfolio; the majority of which is flexible.

And therefore taking on the sort of level of over-subscription, if I can put it that way to QCLNG is something that we're quite comfortable with, particularly given the back drop that we've got – 130 000 square kilometres of acreage in Australia and large tracks of Bowen Basin acreage which is yet to be explored. And have, as I believe I mentioned in fourth quarter, already made some discoveries in the Bowen.

So we are quite happy to continue to market in Asia Pacific, underpinning that with the group's QCLNG supply and the balance coming from the global portfolio, such that we put into place solid contracts should we be successful, and of course we will try to be successful, in securing sufficient reserves to trigger the next phase; the first train of the next phase for QCLNG.

Ashley, do you want to say something about the trading?

Ashley Almanza:

Theepan, I think it was a good quarter, I think that the best way to think about this is we've got a range out there, \$1.8 billion to \$2 billion and as we explained in February we regard the base as being very solid, but the guidance range stands, it's unchanged.

The pattern of diversions was actually quite diverse in the quarter. There was a weighting towards Asia, but we delivered diversions to Asia, Europe, the UK, Mediterranean, North America, South America and the Middle East, so a nice pattern actually, a very diverse pattern.

Theepan Jothlingham,
Morgan Stanley:

Just following up, it is fair to say, I think the comment in February was that you'd expect that guidance to be evenly spread through the quarters. Does that still stick and Q1 was just a very good quarter?

Ashley Almanza: I think Q1 was a good quarter, so broadly - the rest of the year I would expect to be broadly even and by the end of the year I would expect Q1 to have been the standout from the rest of the quarters.

Theepan Jothlingham,
Morgan Stanley: Okay, great thank you.

Michael Alsford, Nomura: Hi there, I've got two questions please, firstly just on Kazakhstan, could you maybe give a bit more of an update as to the progress on discussions around Karachaganak Phase III and then maybe if you can comment on anything that you can on the press reports about ongoing investigations by the Kazak authorities?

And then just secondly on Norway, maybe you could give a little bit of an update on the other parts of the portfolio, Jordbær in particular but also the drilling of Mandarin and the timing on that well please? Thanks.

Frank Chapman: Yeah, Jordbaer we're currently in the market looking at bidding processes for key materials including the FPSO; so that work is moving ahead. Mandarin is currently setting 9 and 7/8th casing above the reservoir and you know we will have a much better picture there by the end of the second quarter; so that's going quite well.

Kazakhstan, Ashley is very close to these negotiations, he's managing this with the Kazaks as the moment, Ashley do you want to give us a run down?

Ashley Almanza: Yes, Michael, on Phase III the pre-FEED technical work is ongoing, so good work being done there. No change really in the process or the outlook. We've got good alignment with the partners on the concept and we're working with the authority in Kazakhstan to build up their understanding and secure their support for that project.

As we have discussed before the concept is one of spreading the capex, phasing the capital expenditure over a longer period in Phase III.

The press reports you refer to, I think it's a matter of public record that last year the consortium filed a notice of arbitration claim, relating to

fiscal stability; most notably the export customs duty. And it's also I think a matter of public record that the Republic then followed with its own notice of arbitration relating to cost recovery claims. There is an active, very active and constructive dialogue between all members of the consortium so we're working together, the four partners in the consortium and in active dialogue with the government of Kazakhstan.

Clearly, while those talks are live and ongoing it's not appropriate for us to comment at this stage. We'll be very pleased to give you an update when the discussions are concluded obviously.

The only thing I would say is it's well worth remembering that BG and the consortium in Karachaganak has been in the Republic for more than 15 years and we've worked very successfully with the Republic including through periods of disagreement, we've always managed successfully to resolve those disagreements. And very importantly, there is still a lot of value to be created in this asset in the future. And I think it's very clear that the partners and the Republic recognise that working together constructively - there's a lot of value to be created.

So that's the position, active, ongoing dialogue, the relationship is sound and as I say we've long worked with the Kazaks in Karachaganak.

Michael Alsford, Nomura: Great very helpful thank you.

Ashley Almanza: You're welcome.

Hootan Yazhari,
Bank of America:
Merrill Lynch:

Two questions if I may. First of all could you just give us a quick run down on your maintenance programme for the second quarter, which I believe could be impacting volumes significantly and for the rest of the year actually for that matter?

And the second question I have is more conceptual. You briefly touched on the view that there is scope for significant improvement or increase in scale in Australia, over and above what was announced at the strategy presentation. I just wanted to see if you could give us some guidance as

to how we should be thinking about this. Are we looking at another eight million tonnes on top of the projects already announced or are we looking at something more modest than that? Thank you.

Frank Chapman:

Well, I wish I knew the answer to that question Hootan. The fact is that we do have a large number of exploration and appraisal wells to drill in as yet unexplored or under-explored acreage. We have been successful in the early efforts in this respect but there is quite a way to go before we can stand up and say, we've got a whole train and we understand a little bit more about the prospectivity for developments beyond that.

But look, clearly there's a lot of potential here. And we are pursuing markets actively with a view to underpinning further developments should we be successful in discovering more resources.

You know it is quite a journey that we're making there. Australia is in reserves terms almost as big as Brazil - you know since we entered this play around two years ago we've now accumulated getting on for three billion barrels of oil equivalent, around 17.5 tcf of gas. So that is making good progress and clearly after such a short period one wouldn't imagine that the show is over, particularly with such an extensive exploration portfolio.

So I can't be more specific on volumes and I apologise for that; but it wouldn't be wise to give numbers. But it is fair to say that I'm optimistic that the show doesn't end here and certainly we're investing in doing a lot more exploration.

Ashley, do you want to say something about maintenance programmes?

Ashley Almanza:

Yes, Hootan the maintenance programme is pretty much as we indicated in February. We have a heavy maintenance programme concentrated in the second and third quarter. Apart from the normal maintenance, routine maintenance we've also got a well work-over programme in the UK and Egypt to name two. And then there's also some work, early tie-in work, preparatory work, again in the UK, Egypt and in fact in Kazakhstan, getting ready to tie in new wells.

So you're quite right - and that's why we're indicating no change to our comments on full year production, i.e. only a slight increase in full year production year on year; because of the extensive maintenance, well work-over and tie-in work that we have.

Frank Chapman: Just to be clear on that; these maintenance works that we're estimating or going to carry out in this year were part of the plan and they were considered when we advised and gave guidance on our production in 4Q. So on the production side of the business, nothing has changed since we made our announcement in February and the pattern that we've seen in this first quarter again is in line with what we had expected.

Hootan Yazhari,

Bank of America/Merrill Lynch: Okay, fantastic thank you.

Oswald Clint,

Sanford Bernstein: Great thank you. Two questions, I think back in February you alluded to some weak gas demand in some of your domestic gas markets. I wonder if you could give us an update on what you're seeing from the gas demand in some of those markets; I guess it's India, and Egypt, and Trinidad and Tobago, Kazakhstan?

And then secondly, I guess with another quarter of drilling in the Haynesville, could you talk about - or at least are you still seeing some of the very high initial production rates from those wells across your drilling programme inside the Haynesville? Thank you.

Frank Chapman: I think the demand outlook is pretty much as expected. We're seeing the start of recovery in some markets but it is very variable and therefore at this stage certainly we are maintaining our guidance on production pretty much as we'd said in Q4.

With respect to the Haynesville we're ramping up the number of drilling rigs, we're in one of those phases where we are bringing a significant number of wells on-stream and so therefore there are not a great deal of new drill stem tests results to report as we're into, if you like, the next batch of drilling. But we are drilling wells now concentrated in our core

areas and there's every reason to expect that we'll continue to see the pattern that we've observed so far of actually very high well initial rates of actually beyond 30 million standard cubic feet a day and you know that's what we're looking for.

We are starting now also to explore the Bossier shale which overlays the Haynesville and we are expecting in the coming period to start to get some calibration points on the prospectivity and economics of the Bossier.

Oswald Clint,
Sanford Bernstein:

That's great, thank you.

Lucy Haskins,
Barclays Capital:

Hi thank you. A couple of questions. From a portfolio perspective where do you now see your power generation business moving? And secondly on the portfolio - have you done what you wanted to from the acquisition based in the US shale?

And the other question was on the cost side, so if volumes are coming under pressure from maintenance and work-overs in the second and third quarter, I think Ashley you guided to possibly with a higher oil price we might get slightly above the sort of \$7 target for this year. But will it be just slightly?

Ashley Almanza:

Lucy, I think that's right - if we get higher oil prices then of course that will feed through to royalties and tariffs fairly quickly - slightly is, you know, 3% to 5%, that's what I mean by slightly.

Lucy Haskins,
Barclays Capital:

Okay thanks.

Frank Chapman:

On the power business or portfolio matters; essentially as you know Lucy we do keep all the parts of our business under review, that's our normal practice. I don't want to speculate at this stage on further portfolio adjustments, but we will of course when we've got something concrete to say keep you fully advised. So for the moment that's the situation.

I'm quite pleased with the way we're making progress with developing a material position. I think 5 trillion cubic feet of gas in the US is material. But of course if other compelling opportunities arise then we would consider building further around that position.

Lucy Haskins,
Barclays Capital:

Thanks very much.

Lucas Herrmann,
Deutsche Bank:

Good afternoon Gents.

Frank Chapman:

Hi Lucas.

Lucas Herrmann,
Deutsche Bank:

Three questions if I might. The first just on international gas prices, you know a big step up between Q4 and Q1. I just wondered to what extent some of that step was you know an improvement in negotiated prices with your customers, or territories rather than the benefit of oil linkage, etc?

The second question I just wanted to ask was just on the deal you've done with Asia Pacific LNG and the volumes of gas that you're effectively going to be pulling into your plant. When you talk about the reserves that you've proved up in Australia; I presume that they exclude anything that would be applicable to Origin and Conoco? And I guess if I look at the volume of gas you're talking about, 290 petajoules, if my calculations are right that's almost enough to feed, if that's an annual amount that's almost enough to feed 3 million tonnes of LNG per annum? Just to make sure I'm on the right track, Frank.

Frank Chapman:

Let me just clear up the reserves point first. All of the reserves that we state are BG equity reserves, okay. So although some of these reserves come from tenements in which Origin and their partners have a stake, the number that we quote are BG equity numbers. So that's the first thing.

Regarding the APLNG volumes, these are volumes which are concentrated in the first couple of years of the agreement.

And the agreement really is structured so that we will develop and liquefy and take away - carry away and market as BG LNG any volumes that flow from the Origin and ConocoPhillips equity gas in the first couple of years. Later on these volumes reduce to a significantly lower level as APLNG anticipates bringing its own LNG manufacturing on stream.

I think it's a good sign of collaboration; it's a good opportunity for BG to show that it can aggregate other people's production, add value to that and market it to its customers. And although we haven't got very far into this process at this stage I would anticipate that there may be more of this type of business to do in the future and that may contribute to the feed streams for later phases of QC LNG.

Lucas Herrmann,
Deutsche Bank:

It must take a huge amount of pressure off you in terms of early drilling and driving gas forward if you can access these volumes. And was the calculation anywhere near right Frank, in that this is you know 290 petajoules is about 150 mmscf a day of gas - or sorry 450 mmscf a day of gas and broadly 3 million tonnes of LNG?

Frank Chapman:

It's bcfs basically, I mean pretty close to. So the release that was made by Origin on the 25th of February is a document which contains some of the data. 190 petajoules of gas over an initial ramp up period of around two years. And then this falls down to a much smaller number of around 25 petajoules subsequently.

So yes, it's quite a significant quantity but it doesn't go on for many years; nonetheless as you quite rightly point out, it assists with the ramp-up issue and it provides BG with an opportunity to add value to somebody else's gas.

Lucas Herrmann,
Deutsche Bank:

And the gas price question and then Ashley one other.

Ashley Almanza:

On the gas price Q4 through to Q1; it's not to do with a contractual or bilateral price change. It's essentially floating prices and indexation, a combination of those two things. We saw an improvement quarter on quarter Q4 to Q1.

Lucas Herrmann,
Deutsche Bank:

Okay. And sorry the third question Ashley is the same one I asked you at Q4. You're a very busy man Sir, what's happening? One would obviously like to see your responsibilities shared rather than placed on one set of shoulders.

Frank Chapman:

Yeah I mean I think it's rather unfair Lucas of you to direct that question to Ashley as you did at Q4 and we remember that.

Lucas Herrmann,
Deutsche Bank:

His wife keeps asking me because she never sees him any more.

Frank Chapman:

Well that's not quite true. He virtually lives next door to me and I can vouch for that. You know we are busy with longer term succession arrangements here and development. And you know when we've got something more to give you on this we will. As I said at Q4, we do not intend to operate for a prolonged period in this current configuration.

Lucas Herrmann,
Deutsche Bank:

Okay thanks Frank.

Ian Reid,
Macquarie:

Good afternoon gentlemen. Sorry if you've already answered this question but I actually had to dial in again. On the US gas portfolio you've now got 5 tcf which is very close to I think the billion boe that you were talking about when you first entered this basin. Are you going to get to that billion boe by kind of incremental drilling now or is it going to be further kind of bolt on deals as you've done recently?

And secondly on Brazil, it appears that the ANP has proved up an extension to lara in the latest well they've drilled there. Has that got any implications for the reserves of lara that you've already disclosed?

Frank Chapman:

It does not have any implications for the reserves that we disclosed previously on lara because when we disclose resources we only disclose resources that are within our licences. And therefore any extension, which of course needs to be demonstrated and proved, would not affect the quantity which we estimate to lie within the boundaries of our concessions. So that's the situation on lara.

With respect to the US gas portfolio, what I actually said with regards to a billion barrels oil equivalent as I recall was that when my team brought this idea of the acquisition of the JV interests from EXCO, the two things that we wanted to be satisfied about was that firstly we were dealing with assets that were at the low end of the cost curve because that obviously is a critical factor in the economics of such a venture. And secondly we had to be sure that in going into a new play of this type we could establish materiality in that play. And the materiality threshold which I set was a billion barrels oil equivalent. And you know I'm pretty pleased to say that less than a year on from the June 2009 announcement we're already well on the way to establishing a billion barrels oil equivalent in this play.

Now what we do in future, I think we've already mentioned that earlier on in the call which you may have missed, and that is that we will build around the current position and add to it, where it is economically justifiable to do so, to establish further materiality.

Ian Reid,
Macquarie:

Okay thanks Frank. Just coming back on the lara question, does that mean you don't think they have proved an extension or do they have to drill some more in order to prove it?

Frank Chapman:

Frankly the consortium has been given no information at this stage regarding drilling in contiguous areas, and therefore I'm not able to comment. But I am able to say categorically that we only report reserves that are within tenements or licences which we own.

Ian Reid,
Macquarie:

Okay. So the 3 to 4 billion barrels is unchanged in terms of what's on your block on the lara discovery?

Frank Chapman:

Absolutely. Absolutely, yes.

Ian Reid,
Macquarie:

Okay. That's great thanks.

David Cline, RBS: Good afternoon, two things. Firstly on the Macunaima well that you're drilling in the pre-salt, I'm just trying to get a feel for how long it might take. Parati was a very, very long drilling time. I wonder to what extent that was to do with the fact that it was the first well or was it to do with geology?

Second question, can you just give us an update of precisely what wells are drilling in the pre-salt apart from Macunaima at this time?

Frank Chapman: Macunaima is actually drilling, I think it's about 3000 metres at the moment, first casing string so it's got a way to go. You know that we're not going to be making any announcements about that imminently.

Parati mercifully was drilled with a rig that cost \$60,000 a day and took a very long time because we drilled a post salt structure and then set off in the same well bore to drill a pre-salt structure. The well was drilled to basement, 7 600 metres and it was the first well to be drilled in the Santos Basin into basement. And it took a very long time, two years approximately.

So we would not anticipate, with the experience that we now have and the knowledge of what we're looking for, running into the same difficulties that we did in Parati. The Macunaima well is fundamentally similar to the wells that we're drilling and have successfully drilled and improved our drilling performance on in the other parts of the pre-salt play in Santos. So that's the situation there. David, was there another part to your question?

David Cline, RBS: Yes, could you give us a brief update of what else you're doing down there at this stage in terms of drilling?

Frank Chapman: Yes, at the moment we're in the process of suspending Tupi North-East. We're in the process of preparing for a well test on Guar. We're in the process of suspending a well which is 12.5 kilometres away from the discovery well, a down dip appraisal well. We've just spudded a well called Tupi Alto which is midway between Tupi Sul and Tupi North-East. We have just drilled or are about to get moving with a well called P3.

So, so far, and I believe just talking from memory now that we have something like the rest of this year another six wells or so to complete in the Santos Basin. So it's a very active programme as we lead up to the declaration of commerciality for the Tupi field which will be at the end of this year. So a very active programme and I have to say very good results coming in from these wells.

David Cline, RBS: Thanks very much.

Neil Morton,
MF Global:

Good afternoon. Just the one question left, it's really just a follow up on earlier comments about expanding your US shale gas position. I noticed with the acquisition of Common Resources you expanded in Haynesville and moved into the Bossier, but you didn't take up their Eagle Ford assets. Now we don't obviously know externally what price they were asking for those assets, but it seems clear that every man and his dog is currently chasing liquid plays in the US as opposed to gas. And I'm intrigued as to why you decided not to join the rush?

Frank Chapman:

I think that what we were focusing on here - by the way our participation in the Bossier play is by virtue of existing acreage rather than something we have acquired as part of the Common Resources acquisition. The Bossier overlays the Haynesville and is present in all of the existing acreage we have in the Haynesville play. So we're exploring that in the core Haynesville play areas that we already owned before the Common Resources acquisition.

Now the reason that we decided to bid only on the Haynesville part of the Common Resources is that it's an area that we understand, we want to focus our efforts in that area. We did not want to go down to Eagle Ford. We know that the Haynesville is one of the lowest cost structure resources in the shale plays, and therefore we decided to, together with EXCO, to focus our efforts there. Yeah that's basically the background.

Neil Morton,
MF Global:

Fair enough. Thanks very much.

Frank Chapman, Chief Executive

Thank you very much for your questions. Finally, I'd like to recap the main highlights:

- BG Group has delivered a good set of operating results this quarter.
- We have made excellent project progress which further de-risks our key ventures in Australia, Brazil, the UK and the USA.
- And we have continued the strengthening and rebalancing of our global portfolio with the expansion of our US upstream position.

So thank you once again for participating in this call and I look forward to speaking with you again at the time of our second quarter results due on the 28th of July. So thank you once again and goodbye for now.