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2011 reserves report

Santos today announced that its total proved and probable (2P) hydrocarbon reserves were 1,364 million barrels of oil equivalent (mboe) at the end of 2011.

Successful appraisal and commercialisation activity, and the sanctioning of the Fletcher Finucane project, added 82 mboe of 2P reserves in 2011. The reserve additions represent an organic 2P reserves replacement ratio (RRR) of 173%, before net acquisitions and divestments.

The reserve additions were driven by strong growth in Cooper Basin gas reserves combined with increases in coal seam gas (CSG) reserves dedicated to the GLNG project.

Net acquisitions and divestments during 2011 reduced 2P reserves by 116 mboe. The key movements in 2P reserves from acquisitions and divestments were:

- 82 mboe net addition from the Eastern Star Gas (ESG) transactions for a net acquisition cost of \$456 million;
- 8 mboe net addition from the acquisition of the remaining 35% interest in the Mereenie field and the divestment of Palm Valley;
- 108 mboe reduction from the sale of a 15% interest in GLNG to Total and KOGAS for aggregate proceeds of \$665 million, and
- 98 mboe reduction as a result of the completion of the transfer of some of the GLNG upstream permits upon the receipt of third party consents in 2011 in connection with the previously announced sales of a combined 70% interest in GLNG to PETRONAS, Total and KOGAS (as identified in the 2010 Annual Report and the 2011 Third Quarter Activities Report). The adjustment does not affect gross GLNG project reserves or resources.

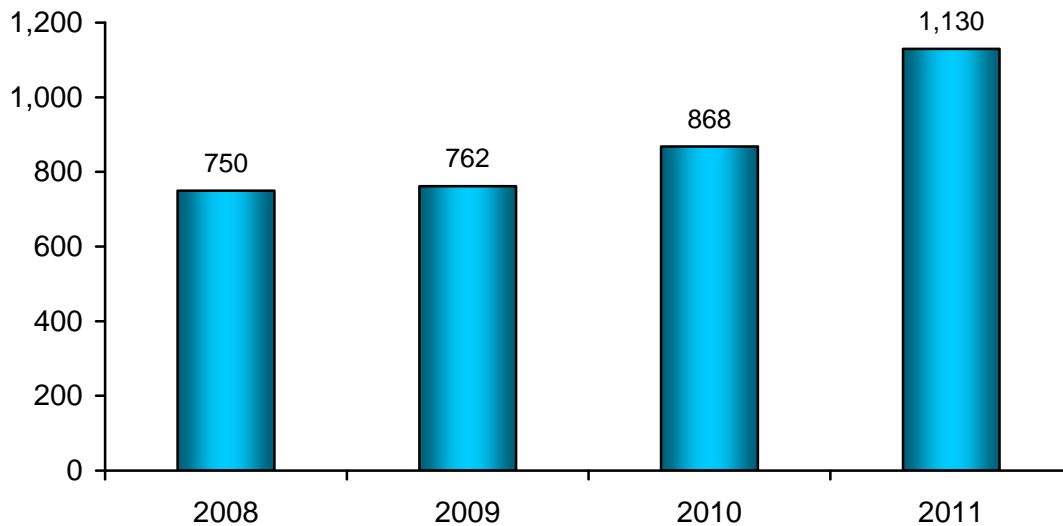
After deducting 2011 production of 47 mboe, Santos' year-end 2P reserves were 1,364 mboe, 81 mboe lower than 2010. The organic 2P RRR is 510% on a three-year rolling-average basis.

On a proved (1P) basis, year-end reserves were 649 mboe, 3 mboe higher than 2010. This represents an organic 1P RRR of 262% on a three-year rolling-average basis.

Strong growth in Cooper Basin gas reserves

Successful initial results from the Cooper Basin gas infill drilling program, combined with improved base performance, resulted in the booking of 498 petajoules (PJ) gross of 2P reserves in 2011. After allowing for 2011 production, Santos' share of Cooper Basin 2P gas reserves has increased by 30% to over 1,100 PJ.

**Cooper Basin 2P sales gas reserves (PJ)
(year-end December Santos share)**



Santos is targeting a further 1,000 PJ net of 2P reserves additions in the Cooper Basin by the end of 2015.

Contingent resources

Contingent resources decreased by approximately 100 mmbœ in 2011 to 2.2 billion boe. Cooper Basin gas resource additions, exploration success at Zola and net additions from the ESG acquisition were offset by successful commercialisation activity.

Key commercialisation transactions included the completion of the sale of Santos' interest in Evans Shoal to ENI for up to US\$350 million, as well as the sale of interests in GLNG and ESG's permits.

Santos Chief Executive David Knox said the company has built a strong store-cupboard of reserves and resources which will underpin production growth for the rest of this decade.

"Santos has in excess of 10,000 PJ of natural gas 2P reserves and 2C resources in total outside of the GLNG project in eastern Australia, including the largest positions in the Cooper Basin and New South Wales.

"In addition, Santos has over 3,500 PJ of natural gas 2P reserves and 2C resources in total in Western Australia and the Northern Territory, and a significant position in Asia."

"Our significant reserve and resource position, combined with existing infrastructure, leaves Santos strategically well placed to supply the growing demand for natural gas in Australia and Asia," Mr Knox said.

GLNG reserves and resources

At the end of 2011, GLNG had in excess of 6,000 PJ of 2P reserves, including 750 PJ of GLNG-dedicated Santos portfolio gas supply.

GLNG 1P and 2P CSG reserves increased by 393 PJ and 295 PJ respectively, prior to 2011 production. Wet weather delayed drilling and connection activity during the year, resulting in reserves additions being less than originally planned.

CSG Reserves and resources PJ (as at Dec)	GLNG-dedicated areas Reserves and resources build				
	2011	2010	2009	2008	2007
1P	1,789	1,432	1,232	1,167	545
2P	5,268	5,009	4,003	3,246	1,344
2C	3,277	3,732	2,769	2,647	4,798
2P+2C	8,545	8,741	6,772	5,893	6,142

The table above includes GLNG share of CSG sales gas reserves and resources in dedicated areas, but excludes 750 PJ of GLNG dedicated Santos portfolio gas supply. CSG sales gas reserves are estimated after deducting the fuel, flare and vent necessary to produce and deliver sales gas to the LNG plant.

Notes

A table detailing the company's oil and gas reserves and resources position as at 31 December 2011 is attached to this release. Unless otherwise stated, all references to reserves and resource quantities in this release are Santos net share. References to contingent resources are mid (2C) contingent resource estimates. Sales gas reserves and contingent resources are estimated after deducting the fuel, flare and vent necessary to produce and deliver sales gas.

The information in this reserves statement has been compiled by Greg Horton, a full-time employee of the company. Greg Horton is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears. Santos prepares its reserves and contingent resources estimates in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

Santos engages independent experts Gaffney, Cline & Associates, Netherland, Sewell & Associates, Inc. and DeGolyer and MacNaughton to audit and/or evaluate reserves and contingent resources. The auditors found that, based on the outcomes of each of the respective audits and evaluations, and their understanding of the estimation processes employed by Santos, that Santos' 31 December 2011 reserves and contingent resources quantities in aggregate compare reasonably to those estimates prepared by the auditors. In addition, based on incorporating the results from the other auditors, without independent validation of their results and Santos' own estimates for unaudited properties, Gaffney, Cline & Associates found that, in the aggregate, the total volumes summarised in the Santos summary table represents a reasonable estimate of Santos' 31 December 2011 reserves and contingent resources position.

APPENDIX A

The table below shows the breakdown of reserves as at 31 December 2011.

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) BY ACTIVITY

	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Reserves year end 2010	7489	66	70	3083	1445
Production	-207	-7	-3	-210	-47
Additions	369	9	4	576	82
Acquisitions/Divestments	-692	3	1	0	-116
Estimated reserves year end 2011	6959	71	72	3449	1364

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) YEAR END 2011 BY AREA

Area	Sale gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Eastern Australia including GLNG					
Cooper Basin	1130	29	19	2350	262
Southern Australia	358	0	5	398	69
Qld CSG	1760	0	0	0	303
Qld Conventional	44	0	0	0	8
NSW CSG	1141	0	0	0	196
Total Eastern Australia	4433	29	24	2748	838
Western Australia and Northern Territory					
Camaron	803	19	9	0	165
Bonaparte	233	0	11	701	57
Amadeus	123	8	2	0	30
Total WA&NT	1159	27	22	701	252
Asia Pacific					
PNG	1228	0	25	0	235
Indonesia	131	1	0	0	23
Vietnam & Bangladesh	8	14	0	0	16
Total Asia Pacific	1367	15	25	0	274
Total	6959	71	71	3449	1364

RESERVES (SANTOS SHARE) (mmboe)	Year End 2010	Production	Additions	Acq / Div	Year End 2011
1P Reserves	646	-47	80	-30	649
2P Reserves	1445	-47	82	-116	1364
2C Contingent Resources	2261	0	12	-111	2162