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Santos and Drillsearch agree to accelerate Cooper Basin production

Santos today announced the execution of a binding agreement with Drillsearch Limited (Drillsearch) relating to a series of permits in South Australia and Queensland that will see Santos grow its significant portfolio of oil and gas assets in the region.

Under the agreement with Drillsearch, Santos will farm-in to permits PEL106A and PEL513, located in the Western Flank of the South Australian Cooper Basin. The terms of the farm-in include:

- Santos acquiring a 60% interest and operatorship in both permits;
- Santos participating in these programs to provide high grade wet gas opportunities for production in 2014; and
- Santos purchasing Drillsearch's additional 40% share of production from both permits, adding to its existing portfolio of east coast sales gas.

Santos Vice President Eastern Australia James Baulderstone said that these agreements provided Santos with liquids-rich permits with excellent near-term potential, and that its agreement with Drillsearch demonstrated the company's continued focus on developing and supplying additional gas into the Eastern Australian market from 2014.

"The proximity of these resources to the Cooper Basin's existing infrastructure makes these assets attractive, and demonstrates the importance Moomba's infrastructure plays in connecting the gas resources in the region to both domestic and international markets.

"Critically, it is this unique position in the Cooper Basin which enables Santos to work with partners such as Drillsearch to accelerate the development and subsequent marketing of gas via its extensive existing infrastructure position.

"We are in the process of upgrading Moomba so that it can continue its nearly 50-year role as a pivotal hub for gas in Australia. Santos' investment in Moomba is the key that will unlock the value of fields such as these in the future," he said.

In addition, Santos will increase its oil exploration acreage in the Cooper, which includes:

- The purchase from Drillsearch of a 25.835% interest in PEL100, located in the Western Flank fairway; and
- The farm-in for 50% of Drillsearch's 66.6% interest and operatorship of the ATP 549P West permit.

In parallel, Santos will divest a 29% interest in ATP 299 (Tintaburra) and associated production licences to Drillsearch who are an existing JV partner in ATP 299, with Santos to retain a 60% interest and operatorship.

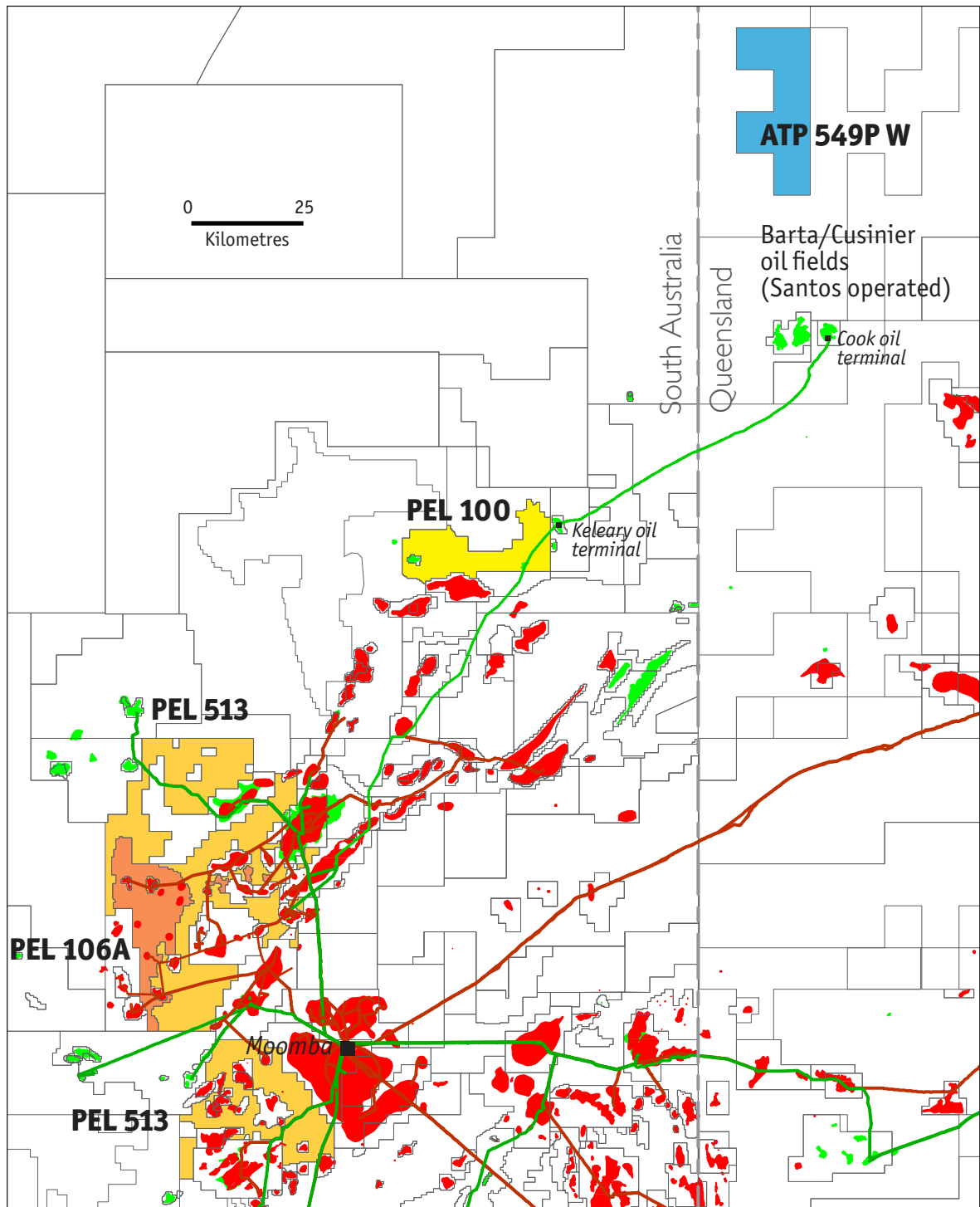
“Oil production has long been an important part of Santos’ business, with the Cooper Basin at the heart of our efforts for over 40 years. Today we’re pleased to be able add to this acreage position, with a deal that provides access to permits rich with liquids including the prolific Western Flank oil play,” said Mr Baulderstone.

The agreements are subject to due diligence by the parties and standard regulatory approvals.









Map attached.

Ends.

Cooper Basin



LEGEND

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|  Oil field |  ATP 549P W |
|  Gas field |  PEL 100 |
|  Oil pipeline |  PEL 513 |
|  Gas pipeline |  PEL 106A |

