

# Third Quarter Activities Report For period ending 30 September 2011



20 October 2011

## Comparative performance at a glance

| Quarterly Comparison        | Q3 2011 | Q2 2011 | Change |
|-----------------------------|---------|---------|--------|
| Production (mmboe)          | 12.7    | 11.9    | +7%    |
| Sales (mmboe)               | 15.4    | 14.5    | +6%    |
| Sales revenue (A\$ million) | 680     | 599     | +13%   |
| Corresponding Period        | Q3 2011 | Q3 2010 | Change |
| Production (mmboe)          | 12.7    | 12.9    | -2%    |
| Sales (mmboe)               | 15.4    | 15.4    | +0%    |
| Sales revenue (A\$ million) | 680     | 535     | +27%   |
| Year to Date Comparison     | 2011    | 2010    | Change |
| Production (mmboe)          | 35.5    | 37.1    | -4%    |
| Sales (mmboe)               | 43.1    | 44.0    | -2%    |
| Sales revenue (A\$ million) | 1,780   | 1,627   | +9%    |

## Higher quarterly production and sales revenue

- > Production of 12.7 million barrels of oil equivalent (mmboe) in the September quarter was 7% higher than the second quarter of 2011 and 2% lower than the corresponding period in 2010.
- > Cooper Basin gas and oil production increased as field conditions continue to improve following adverse weather earlier in the year.
- > Quarterly natural gas, ethane and LNG production was 6% above the second quarter due to higher production from the Cooper Basin, Western Australia and Victoria. The average realised gas price was \$4.57 per gigajoule, 8% higher than the corresponding period.
- > Quarterly crude production was 6% above the second quarter primarily due to higher production from the Cooper Basin and Mutineer-Exeter.
- > Sales revenue of \$680 million in the September quarter was 13% higher than the second quarter and 27% above the corresponding period.
- > Production guidance for 2011 is maintained at 47 to 50 mmboe.

## Key activities during the period

- > Proposed acquisition of 100% of Eastern Star Gas (ESG) via a recommended scheme of arrangement, with a subsequent sale to TRUenergy of a 20% working interest in ESG's permits in the Gunnedah Basin as well as an interest in other ESG assets. If approved by ESG shareholders at a Scheme Meeting on 28 October 2011, completion is expected by mid-November.
- > First oil production from the Chim São project in Vietnam was achieved in early-October, with the project being delivered on schedule and under the sanctioned budget.
- > Construction continues to progress on the PNG LNG and GLNG projects, which are on schedule for first LNG in 2014 and 2015 respectively.
- > Reindeer and Wortel projects progressing on schedule for first gas by the end of the year.
- > GLNG launched the Mount Hope Station Irrigation Pilot Project, a Queensland-first partnership between a CSG company and a private landholder, which provides a state-of-the-art pilot irrigation system which uses treated CSG water to irrigate high protein forage crops.

Santos Chief Executive Officer David Knox said output of all the company's product streams was higher in the third quarter as operations continued to recover from adverse weather earlier in the year.

"Cooper Basin gas and oil production increased as field conditions continued to improve," Mr Knox said.

"GLNG construction activity continues to ramp-up quickly. Site clearing on Curtis Island is complete and bulk earthworks are well underway."

"I am pleased with the progress of the project since FID in January this year. First LNG is expected in 2015."

Mr Knox said the start-up of the Chim Sao project in Vietnam represented a significant addition to Santos' oil production.

"Chim Sao is the second of four new projects in the base business to commence production this year and follows the Halyard/Spar project in Western Australia, which commenced production in June. The other two projects – Reindeer in WA and Wortel in Indonesia – are on schedule for first production by the end of the year," Mr Knox said.

## 2011 Guidance

Production guidance for 2011 of 47 to 50 mmbœ is maintained. Royalty-related taxation expense guidance has been increased due to higher realised oil prices than assumed in previous guidance. All other guidance for 2011 is maintained as shown in the table below.

| Item   | 2011              |                  |
|--|-------------------|------------------|
|  | Previous guidance | Updated guidance |
| Production (mmbœ)  | 47 - 50           | No change        |
| Production costs (\$m)   | 550 - 590         | No change        |
| Depreciation, depletion & amortisation (DD&A) expense (\$/boe)   | 12 - 13           | No change        |
| Royalty-related taxation expense (\$m after tax)                 | 80 - 100          | 100 - 120        |
| Capital expenditure (including exploration and evaluation) (\$m) | 3,000             | No change        |

Updated royalty-related taxation expense guidance assumes an average realised oil price of A\$110 per barrel for the 2011 year. Capital expenditure guidance includes \$2 billion for LNG projects, \$400 million for other sanctioned growth projects (Reindeer, Spar, Chim São, Wortel and Kipper) and \$150 million for conventional exploration. Capital expenditure guidance excludes capitalised interest.

Further detail of 2011 year-to-date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 6 of this release.

## I. Sales & Production

|   | Quarter Ended  |                |                | YTD            |                | Full Year      |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Q3 2011        | Q3 2010        | Q2 2011        | 2011           | 2010           | 2010           |
| <b>Sales Gas, Ethane and LNG (PJ)</b>             |                |                |                |                |                |                |
| Cooper Basin                                      | 19.1           | 17.0           | 16.1           | 49.9           | 48.1           | 66.6           |
| Surat/Bowen/Denison                               | 3.6            | 4.1            | 3.5            | 10.7           | 11.0           | 14.5           |
| GLNG  | 2.3            | 5.4            | 2.3            | 7.0            | 15.1           | 19.6           |
| Amadeus   | 0.2            | 0.2            | 0.2            | 0.7            | 1.4            | 1.6            |
| Otway/Gippsland                                   | 5.5            | 5.0            | 5.1            | 14.9           | 14.1           | 19.2           |
| Carnarvon   | 11.8           | 12.4           | 11.2           | 33.3           | 36.4           | 47.7           |
| Bonaparte   | 4.0            | 4.1            | 3.6            | 11.3           | 9.7            | 15.0           |
| Indonesia   | 8.7            | 9.2            | 9.9            | 28.6           | 28.5           | 38.2           |
| Bangladesh  | 0.9            | 0.8            | 1.0            | 2.6            | 3.0            | 3.8            |
| <b>Total Sales Gas, Ethane and LNG Production</b> | <b>56.1</b>    | <b>58.2</b>    | <b>52.9</b>    | <b>159.0</b>   | <b>167.3</b>   | <b>226.2</b>   |
| <b>Total Sales Volume (Own Product)</b>           | <b>55.6</b>    | <b>63.3</b>    | <b>53.0</b>    | <b>158.7</b>   | <b>177.0</b>   | <b>242.1</b>   |
| <b>Total Sales Volume (Third Party)</b>           | <b>16.3</b>    | <b>10.6</b>    | <b>17.5</b>    | <b>47.5</b>    | <b>30.5</b>    | <b>35.6</b>    |
| <b>Gas Price (Avg A\$/ GJ)</b>                    | <b>4.57</b>    | <b>4.23</b>    | <b>4.61</b>    | <b>4.47</b>    | <b>4.32</b>    | <b>4.31</b>    |
| <b>Total Sales Revenue (A\$m)</b>                 | <b>328.4</b>   | <b>312.8</b>   | <b>324.7</b>   | <b>921.7</b>   | <b>896.8</b>   | <b>1,196.9</b> |
| <b>Condensate (000's bbls)</b>                    |                |                |                |                |                |                |
| Cooper Basin                                      | 320.2          | 271.7          | 242.2          | 796.1          | 722.6          | 945.8          |
| Surat/Denison                                     | 0.6            | 1.8            | 0.8            | 2.2            | 2.9            | 4.3            |
| Amadeus   | 5.4            | 6.7            | 5.0            | 16.2           | 19.2           | 25.9           |
| Otway   | 6.3            | 5.5            | 5.0            | 15.6           | 18.1           | 23.5           |
| Carnarvon   | 157.8          | 123.6          | 108.1          | 363.9          | 363.1          | 474.4          |
| Indonesia   | 1.3            | 2.9            | 1.3            | 4.2            | 5.4            | 3.8            |
| Bonaparte   | 333.2          | 444.8          | 306.5          | 977.5          | 1,034.2        | 1,367.0        |
| Bangladesh  | 0.2            | 0.1            | 0.1            | 0.5            | 0.5            | 0.4            |
| <b>Total Condensate Production</b>                | <b>825.0</b>   | <b>857.1</b>   | <b>669.0</b>   | <b>2,176.2</b> | <b>2,166.0</b> | <b>2,845.1</b> |
| <b>Total Sales Volume (Own Product)</b>           | <b>625.0</b>   | <b>762.1</b>   | <b>608.9</b>   | <b>1,815.6</b> | <b>2,068.0</b> | <b>2,918.5</b> |
| <b>Total Sales Volume (Third Party)</b>           | <b>58.0</b>    | <b>2.6</b>     | <b>59.4</b>    | <b>161.8</b>   | <b>52.9</b>    | <b>90.6</b>    |
| <b>Condensate Price (Avg A\$/ bbl)</b>            | <b>96.73</b>   | <b>70.67</b>   | <b>99.36</b>   | <b>104.01</b>  | <b>83.15</b>   | <b>84.13</b>   |
| <b>Condensate Price (Avg US\$/ bbl)</b>           | <b>101.82</b>  | <b>64.14</b>   | <b>105.81</b>  | <b>107.45</b>  | <b>74.96</b>   | <b>78.29</b>   |
| <b>Total Sales Revenue (A\$m)</b>                 | <b>66.1</b>    | <b>54.0</b>    | <b>66.4</b>    | <b>205.7</b>   | <b>176.3</b>   | <b>253.1</b>   |
| <b>LPG (000 t)</b>                                |                |                |                |                |                |                |
| Cooper Basin                                      | 39.7           | 35.9           | 33.6           | 101.7          | 99.1           | 132.7          |
| Surat/Denison                                     | 0.0            | 0.0            | 0.0            | 0.0            | 0.1            | 0.1            |
| Bonaparte   | 19.7           | 24.3           | 17.8           | 56.8           | 58.6           | 77.7           |
| <b>Total LPG Production</b>                       | <b>59.4</b>    | <b>60.1</b>    | <b>51.4</b>    | <b>158.5</b>   | <b>157.8</b>   | <b>210.5</b>   |
| <b>Total Sales Volume (Own Product)</b>           | <b>54.4</b>    | <b>59.3</b>    | <b>58.7</b>    | <b>154.6</b>   | <b>160.1</b>   | <b>221.2</b>   |
| <b>Total Sales Volume (Third Party)</b>           | <b>0.0</b>     | <b>0.7</b>     | <b>0.0</b>     | <b>0.6</b>     | <b>2.6</b>     | <b>3.3</b>     |
| <b>LPG Price (Avg A\$/ t)</b>                     | <b>879.68</b>  | <b>693.57</b>  | <b>889.81</b>  | <b>878.19</b>  | <b>795.49</b>  | <b>820.12</b>  |
| <b>Total Sales Revenue (A\$m)</b>                 | <b>47.8</b>    | <b>41.6</b>    | <b>52.2</b>    | <b>136.3</b>   | <b>129.4</b>   | <b>184.1</b>   |
| <b>Crude Oil (000's bbls)</b>                     |                |                |                |                |                |                |
| Cooper Basin                                      | 769.6          | 627.4          | 713.8          | 2,119.2        | 1,846.2        | 2,557.8        |
| Surat/Denison                                     | 20.6           | 20.4           | 23.0           | 70.0           | 54.0           | 84.1           |
| Amadeus   | 27.0           | 23.1           | 25.1           | 72.6           | 62.2           | 86.3           |
| Thevenard   | 60.7           | 63.3           | 66.2           | 174.2          | 188.0          | 254.0          |
| Barrow  | 132.2          | 138.9          | 146.4          | 386.9          | 422.3          | 561.1          |
| Stag  | 429.6          | 357.7          | 469.2          | 1,243.9        | 1,193.3        | 1,430.6        |
| Mutineer Exeter                                   | 249.8          | 126.1          | 121.5          | 425.5          | 410.1          | 572.6          |
| Indonesia   | 49.4           | 144.9          | 66.3           | 227.0          | 458.0          | 578.8          |
| SE Gobe   | 19.8           | 20.1           | 20.5           | 61.7           | 68.0           | 93.2           |
| Other <sup>1</sup>                                | 0.0            | 77.5           | 0.0            | 0.0            | 255.7          | 308.7          |
| <b>Total Crude Oil Production</b>                 | <b>1,758.7</b> | <b>1,599.4</b> | <b>1,652.0</b> | <b>4,781.0</b> | <b>4,957.8</b> | <b>6,527.2</b> |
| <b>Total Sales Volume</b>                         | <b>2,044.8</b> | <b>1,534.8</b> | <b>1,313.5</b> | <b>4,472.3</b> | <b>4,949.3</b> | <b>6,797.5</b> |
| <b>Oil Price (Avg A\$/ bbl)</b>                   | <b>115.99</b>  | <b>82.73</b>   | <b>118.68</b>  | <b>115.46</b>  | <b>85.67</b>   | <b>87.35</b>   |
| <b>Oil Price (Avg US\$/ bbl)</b>                  | <b>122.09</b>  | <b>75.08</b>   | <b>126.38</b>  | <b>119.29</b>  | <b>77.23</b>   | <b>81.29</b>   |
| <b>Total Sales Revenue (A\$m)</b>                 | <b>237.2</b>   | <b>127.0</b>   | <b>155.9</b>   | <b>516.4</b>   | <b>424.0</b>   | <b>593.8</b>   |
| <b>TOTAL</b>                                      |                |                |                |                |                |                |
| <b>Production (mmboe)</b>                         | <b>12.7</b>    | <b>12.9</b>    | <b>11.9</b>    | <b>35.5</b>    | <b>37.1</b>    | <b>49.9</b>    |
| <b>Sales Volume (mmboe) Own Product</b>           | <b>12.6</b>    | <b>13.6</b>    | <b>11.4</b>    | <b>34.8</b>    | <b>38.7</b>    | <b>53.0</b>    |
| <b>Sales Volume (mmboe) Third Party</b>           | <b>2.8</b>     | <b>1.8</b>     | <b>3.1</b>     | <b>8.3</b>     | <b>5.3</b>     | <b>6.2</b>     |
| <b>Sales Volume Total</b>                         | <b>15.4</b>    | <b>15.4</b>    | <b>14.5</b>    | <b>43.1</b>    | <b>44.0</b>    | <b>59.2</b>    |
| <b>Sales Revenue (A\$m)</b>                       | <b>679.5</b>   | <b>535.4</b>   | <b>599.2</b>   | <b>1,780.1</b> | <b>1,626.5</b> | <b>2,227.9</b> |

<sup>1</sup> Includes Jabiru, Challis and Legendre which ceased production in 2010.

## Production by Area

*Comparisons between periods for gas, condensate and LPG production are made between the current quarter and the same quarter from the previous year, as production is heavily influenced by seasonal factors. Conversely, comparisons for crude oil are made with the immediate previous quarter, as oil production rates are not generally subject to seasonal variations. Both comparisons are available in the preceding table.*

### Cooper Basin

Higher production was recorded in the Cooper Basin in the third quarter, as field conditions improved following the high rainfall and flooding through 2010 and the first quarter of 2011. Improving field conditions allowed for improved access for production operations and drilling, workover and connection activities.

Sales gas and ethane production of 19.1 petajoules (PJ) was 12% higher than Q3 2010 primarily due to improving field access. Despite the impacts of adverse weather, Santos successfully met all customer gas nominations during the peak winter demand period.

Crude oil production increased by 8% over the previous quarter as improved performance from wells brought online and access to Cooper Basin field infrastructure continued. Re-instatement of the last remaining flood impacted field is targeted for December, with resumption to full base production expected by January 2012.

Condensate production of 0.3 mmbbl was higher than Q3 2010 due to higher gas production.

The fleet of three new Saxon drilling rigs continued operations in the Cooper Basin. During the quarter, the first skid on a multi-well pad was successfully completed with the Saxon 183 rig at the Nephrite South pad.

### Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 3.6 PJ was lower than Q3 2010 due to the natural field decline within Denison.

### GLNG

Sales gas production of 2.3 PJ was lower than Q3 2010 due to Santos' interest in GLNG reducing from 60% in Q3 2010 to 30% in Q3 2011 following the sale of interests in the project to Total and KOGAS.

### Otway Basin/Gippsland Basin

Sales gas production of 5.5 PJ, 10% higher than Q3 2010, was due to higher production at Casino and Henry.

### Amadeus Basin

Sales gas production of 0.2 PJ was in line with Q3 2010.

### Carnarvon Basin

Gas production from the John Brookes and Halyard fields of 11.8 PJ was 5% lower than Q3 2010 primarily due to planned maintenance at the Varanus Island gas processing facilities.

Condensate production of 0.16 mmbbl was 28% higher than Q3 2010 due to the higher condensate yield from the Halyard-1 well which came into production in June 2011.

Oil production from Barrow Island of 0.13 mmbbl was lower than Q2 2011 due to a two-week field wide shut down in July to tie in a new production export pipeline.

Mutineer Exeter oil production of 0.25 mmbbl was 106% higher than Q2 2011 as workovers on Mutineer-4 and Exeter-4 were successfully completed and the wells brought back on line.

Stag oil production of 0.43 mmbbl was 8% lower than Q2 2011 due to temporary shutdowns to facilitate drilling and completion of two new production wells, which came on line at the end of the quarter.

## Bayu-Undan / Darwin LNG

Gross Bayu-Undan gas production of 55 PJ was 8% higher than Q3 2010. Santos' net entitlement production was 4.0 PJ.

Gross Bayu-Undan condensate production of 5.4 mmbbl was 6% higher than Q3 2010. Santos' net entitlement production was 0.33 mmbbl.

Gross Bayu-Undan LPG production of 272,300 tonnes was 8% higher than Q3 2010. Santos' net entitlement production was 19,700 tonnes.

## Indonesia

Sales gas production of 8.7 PJ was 5% lower than Q3 2010 due to lower customer nominations at Maleo and lower production from Oyong due to planned maintenance.

Santos' net entitlement crude oil production of 0.05 mmbbl was lower when compared to Q2 2011 mainly due to Oyong oil field natural decline.

## Bangladesh

Sales gas production of 0.9 PJ was in line with inline with Q3 2010. A drilling program to test near field exploration targets is underway.

## 2. Capital Expenditure

Total exploration, evaluation and development expenditure is summarised in the table below.

|   | Quarter Ended |         |         | Year to Date |       |
|---|---------------|---------|---------|--------------|-------|
|   | Q3 2011       | Q3 2010 | Q2 2011 | 2011         | 2010  |
| <b>Capital expenditure summary (\$ million)</b> |               |         |         |              |       |
| Exploration                                     | 44            | 17      | 28      | 101          | 65    |
| Evaluation including CSG                        | 50            | 64      | 34      | 100          | 150   |
| Development and other PP&E                      | 659           | 426     | 673     | 1,961        | 1,151 |
| Total capital expenditure                       | 753           | 507     | 735     | 2,162        | 1,366 |

| <b>Exploration and evaluation expensed summary</b> |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| From current year expenditure:                     |           |           |           |           |           |
| Exploration  | 35        | 30        | 9         | 52        | 64        |
| Evaluation   | 15        | 8         | 18        | 39        | 22        |
| Total current year expenditure                     | 50        | 38        | 27        | 91        | 86        |
| Write-off net amounts capitalised in prior years   | 1         | 2         | 3         | 3         | 9         |
| <b>Total expensed</b>                              | <b>51</b> | <b>40</b> | <b>30</b> | <b>94</b> | <b>95</b> |

Development capital expenditure data for Q2 2011 has been revised since previously published.

### 2.1 Exploration Activity

| Well         | Basin/ Area             | Target | Santos % | Well Status                   |
|--------------|-------------------------|--------|----------|-------------------------------|
| Tuy Hoa – 1X | Phu Khanh Basin/Vietnam | Oil    | 50%      | P&A, non-commercial discovery |

Tuy Hoa-1X, located offshore Vietnam in the Phu Khanh Basin within Block 123, was drilled to a total depth of 2,897 metres and encountered a non-commercial hydrocarbon column in the early to middle Miocene target interval. The well was plugged and abandoned as planned. Santos and its partners are planning to undertake a 3D seismic programme in 2012 to evaluate the remaining prospects in Block 123.

### 2.2 Seismic Activity

| Permit                                       | Area/ Basin | Survey     | Type    | km/ km <sup>2</sup> | Status    |
|--|-------------|------------|---------|---------------------|-----------|
| ATP 337P/ATP 526P/ATP 745P                   | Surat Basin | Basalt Ck. | 2D land | 124                 | Completed |
| PL 90/PL 91/PL 92/PL 99/PL 100/<br>ATP 337 P | Surat Basin | Wamdoo     | 2D land | 142                 | Ongoing   |

## 2.3 Development Projects

*Development expenditure during the third quarter of 2011 was A\$659 million. The status of development projects during the third quarter are as follows:*

### Reindeer project (Santos 45%, Apache operator)

Reindeer was sanctioned in April 2008 and involves the development of an unmanned, minimum facility wellhead platform located in 65 metres of water from which gas will be exported to the Devil Creek processing plant via a single 105-kilometre pipeline.

All offshore installation works, including the wellhead platform and raw gas pipeline to shore, are complete. The construction of the onshore gas plant at Devil Creek is well advanced and pre-commissioning and function testing prior to introduction of hydrocarbons is now well underway. The overall project remains on schedule for first gas in the fourth quarter of 2011.

### Halyard/Spar project (Santos 45%, Apache operator)

The Halyard/Spar project involves the staged development of the Spar gas field, initially at the Halyard subsea well and followed by the tie-in of the Spar-2 well. The initial stage of the project was completed in June when first gas and condensate from Halyard began flowing to East Spar via a new pipeline and then on to Varanus Island for processing.

To facilitate the Halyard/Spar development, Santos sold 55% of its working interest in Spar to Apache in August 2010 for an initial payment of US\$31 million. A review of the proved and probable reserves of WA-45-L (previously WA-4-R) in accordance with the August 2010 Sale and Purchase Agreement between Santos and Apache was completed during the third quarter and will see Santos receive a second payment of US\$31 million from Apache. Once total production from WA-45-L exceeds 35 billion cubic feet equivalent, a further assessment of reserves will take place which may result in a further payment to Santos.

As the initial phase of the project has been commissioned, Halyard/Spar will no longer be included in development projects in Santos' quarterly activities reports.

### Chim Sáo project (Santos 31.875%, Premier Oil operator)

Chim Sáo was sanctioned in December 2009 and is located in the Nam Con Son Basin, approximately 350 kilometres offshore southern Vietnam within Block 12W. Chim Sáo oil and associated gas is producing via an unmanned, minimum facility wellhead platform located in approximately 100 metres of water. Liquids are exported from the platform via FPSO and gas offtake is connected to the existing Nam Con Son pipeline.

First oil production was achieved on 10 October 2011, with the project being delivered on schedule and under the sanctioned budget. Production has reached plateau levels of 25,000 barrels per day gross.

Two Chim Sáo development wells have intersected oil bearing sands within a stacked sequence of Upper Dua Formation in the fault terrace to the north west of the Chim Sáo field. Further exploration and appraisal drilling is planned for early 2012 which is expected to add significant resources to the project.

As Chim Sáo has been commissioned, it will no longer be included in development projects in Santos' quarterly activities reports.

### Wortel project (Santos 45%, operator)

The Wortel project was approved for development in November 2010. Wortel is located seven kilometres west of the Santos-operated Oyong oil and gas field, offshore Madura Island in the Sampang PSC, East Java, Indonesia. The project includes two gas wells, a minimum facility wellhead platform and a 10-kilometre gas pipeline to the existing Oyong well head platform. Wortel gas production will then flow through the existing 60-kilometre pipeline to the onshore gas processing facility at Grati for processing and onward sale.

The project passed a significant milestone on 1 October when the wellhead platform jacket was successfully installed on schedule. Construction of the platform deck is approaching completion at the onshore fabrication yard and offshore pipeline installation from Oyong to Wortel has commenced. First gas is scheduled for the end of 2011.



### Kipper project (Santos 35%, ExxonMobil operator)

Kipper was sanctioned in December 2007 and involves the development of subsea wells tied back to existing processing infrastructure. Drilling and completion of the Kipper wells was completed in 2010, as was fabrication of the subsea equipment and umbilicals. The first two flow bases and trees have been installed.

As of the end of September, the coolers and manifold have been installed and subsea tie-in works are scheduled to commence in the fourth quarter. The operator has informed the joint venture that first gas will be deferred beyond the previous expectation of the first half of 2012, due to the need for mercury removal facilities. The scope and schedule for that work is under review by the operator.

### PNG LNG project (Santos 13.5%, ExxonMobil operator)

Sanctioned in December 2009, the PNG LNG project will develop gas and condensate resources in the Hides, Angore and Juha fields and associated gas resources in the operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western Provinces of Papua New Guinea. The gas will be transported by pipeline to a gas liquefaction plant 25 kilometres north-west of Port Moresby with a capacity of 6.6 mtpa. PNG LNG has binding LNG sales agreements with four Asian buyers. First LNG exports are expected in 2014.

Construction continues to progress at the LNG plant and upstream locations. Design work is nearing completion in most areas and procurement is well underway. The construction focus at the Hides gas conditioning plant is on infrastructure and bulk earthworks. At the Komo airfield site, engagement with local communities and downtime is being managed by the operator. Over 70% of the onshore pipeline route has been surveyed, all pipe is in-country and over 80-km of onshore pipeline has been strung. Offshore pipelay will commence in 4Q11. At the LNG plant site, the process plant and tank foundations, underground pipework and structural steel are in progress. Piling for the offloading jetty continues.

### GLNG project (Santos 30%, operator)

Sanctioned in January 2011, GLNG includes the development of coal seam gas resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. GLNG has binding LNG sales agreements with PETRONAS and KOGAS for seven mtpa in aggregate. First LNG exports are expected in 2015.

Clearing of the LNG plant site on Curtis Island is complete and bulk earthworks are over 25% complete. Dredging at the material offloading facility site is over 50% complete. Delivery of camp accommodation units to Curtis Island has commenced and construction is underway on the concrete and water supply plants.

Geotechnical surveys are complete along the main gas transmission pipeline route. Manufacture of 42-inch linepipe continues in India at a rate of 1.5 kilometres per day.

Fluor continues the detailed engineering for the upstream facilities with 500 staff working on the project.

Santos has previously announced the sale of a combined 70% interest in GLNG to PETRONAS, Total and KOGAS, for aggregate cash proceeds of approximately \$3.4 billion. The transfer of Santos' interests in some of the coal seam gas permits in these transactions was subject to third party consents, which have now been received. As identified in the Santos Group Interests section of its 2010 Annual Report, Santos' interest in these permits will reduce to reflect its 30% interest in GLNG, and Santos' 2011 year-end reserves will take into account the resulting adjustment to net 2P reserves. The transfers do not affect gross GLNG project reserves or resources and complete the transfer of the remaining permits underpinning GLNG.



GLNG project (Santos 30%, operator)



Aerial view of the cleared GLNG site on Curtis Island, 5 October 2011.



Aerial view of GLNG material offloading facility site on Curtis Island, 5 October 2011.

### 3. Business Development

During the third quarter, Santos entered an agreement to rationalise its assets in the Amadeus Basin in central Australia. Under the agreement, Santos will acquire all the remaining interest in the Mereenie field from Magellan Petroleum. In addition, Santos will divest all its interests in the Palm Valley and Dingo fields to Magellan. The transactions will be effective 1 July 2011, subject to customary approvals.

### 4. Abbreviations and Conversion Factors

| Abbreviations |   | Conversion Factors             |                               |
|---------------|---|--------------------------------|-------------------------------|
| PJ            | petajoules                                | Sales gas & ethane, 1 PJ       | 171.937 boe x 10 <sup>3</sup> |
| TJ            | terajoules                                | Crude oil, 1 barrel            | 1 boe                         |
| mmbbl         | million barrels                           | Condensate (naphtha), 1 barrel | 0.935 boe                     |
| mmboe         | million barrels of oil equivalent         | LPG, 1 tonne                   | 8.458 boe                     |
| mtpa          | million tonnes per annum                  | LNG, 1 PJ                      | 18,040 t                      |
| t             | tonnes                                    |                                |                               |
| P&A           | plugged and abandoned                     |                                |                               |
| C&S           | cased and suspended                       |                                |                               |
| C&C           | cased and completed                       |                                |                               |
| P&S           | plugged and suspended                     |                                |                               |
| CTU           | coiled tubing unit                        |                                |                               |
| WI            | water injector                            |                                |                               |
| CSG           | coal seam gas                             |                                |                               |
| pa            | per annum                                 |                                |                               |
| FPSO          | floating production, storage & offloading |                                |                               |

## 5. Appendix

### 5.1 Appraisal/Evaluation Wells

The table below details wells drilled during the third quarter and their status.

| Well Name              | Basin/ Area           | Target       | Santos (%) | Well Status                 |
|------------------------|-----------------------|--------------|------------|-----------------------------|
| Clematis Creek East 5  | Bowen Basin           | CSG corehole | 23.85%     | Drilling                    |
| Scotia 40              | Bowen Basin           | CSG          | 30.00%     | Drilling                    |
| Hilltop 5*             | Bowen Basin           | CSG          | 35.81%     | C&S CSG                     |
| Moonah 2*              | Bowen Basin           | CSG corehole | 23.85%     | C&S CSG                     |
| Linga Longa 3          | Bowen Basin           | CSG          | 23.88%     | C&S CSG                     |
| Clematis Creek East 1* | Bowen Basin           | CSG corehole | 23.85%     | Suspended - monitoring well |
| Arcadia Branch 4       | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Doce Hill 1A           | Bowen Basin           | CSG corehole | 23.85%     | C&S CSG                     |
| Linga Longa 2          | Bowen Basin           | CSG          | 23.88%     | C&S CSG                     |
| Scotia 39ST1*          | Bowen Basin           | CSG          | 30.00%     | C&S CSG                     |
| Arcadia Branch 3       | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Moonah 3               | Bowen Basin           | CSG corehole | 23.85%     | C&S CSG                     |
| Spring Rock 7          | Bowen Basin           | CSG          | 23.85%     | P&S observation well        |
| Tarcoola Station 4     | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Spring Rock 5          | Bowen Basin           | CSG          | 23.85%     | P&S observation well        |
| Scotia 41ST3           | Bowen Basin           | CSG          | 30.00%     | C&S CSG                     |
| Springwater 8          | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Tarcoola Station 5     | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Tarcoola Station 3     | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Bottle Tree North 1    | Bowen Basin           | CSG corehole | 50.00%     | P&A                         |
| Scotia 36              | Bowen Basin           | CSG          | 30.00%     | C&S CSG                     |
| Tarcoola Station 2     | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Scotia 37              | Bowen Basin           | CSG          | 30.00%     | C&S CSG                     |
| Yebna South 1          | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Bundaburra 1           | Bowen Basin           | CSG corehole | 23.88%     | C&S CSG                     |
| Petrel 7               | Bonaparte Basin       | Gas          | 35.00%     | Testing                     |
| Ridglands 1            | Bowen Basin           | CSG corehole | 23.85%     | Drilling                    |
| Spring Rock 6*         | Bowen Basin           | CSG          | 23.85%     | C&S CSG                     |
| Sampdoria 1            | Cooper/Eromanga - QLD | Oil          | 30.00%     | P&A                         |
| Zeus 2                 | Cooper/Eromanga - QLD | Oil          | 70.00%     | C&S oil                     |
| Zeus 3                 | Cooper/Eromanga - QLD | Oil          | 70.00%     | C&S oil                     |

\*Spudded during second quarter 2011

## 5.2 Development Wells

The table below details development wells drilled during the third quarter and their status.

| Well Name         | Basin/ Area          | Target | Santos (%) | Well Status                     |
|-------------------|----------------------|--------|------------|---------------------------------|
| 12W-CS N1P*       | Nam Con Son          | Oil    | 31.875%    | Drilling                        |
| 12W-CS N4I*       | Nam Con Son          | Oil    | 31.875%    | Drilling                        |
| 12W-CS S11P*      | Nam Con Son          | Oil    | 31.875%    | Drilling                        |
| 12W-CS S15I*      | Nam Con Son          | Oil    | 31.875%    | Drilling                        |
| 12W-CS S9P*       | Nam Con Son          | Oil    | 31.875%    | Drilling                        |
| Dilchee 4         | Cooper/Eromanga - SA | Gas    | 66.60%     | C&S, successful gas             |
| Fairview 337      | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| Fairview 337DW1   | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| Fairview 339DW1*  | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| Fairview 525      | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| Fairview 527      | Bowen Basin          | Gas    | 23.85%     | Drilling                        |
| FV10-21 1*        | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV15-08 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV15-11 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV15-12 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV15-14 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV15-17 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-10 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-17 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-27 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-31 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-32 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-33 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV16-34 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-35 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-37 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-40 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-41 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-42 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| FV16-43 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-45 1         | Bowen Basin          | CSG    | 23.85%     | C&C, successful gas             |
| FV16-47 1         | Bowen Basin          | CSG    | 23.85%     | Suspended for further deepening |
| FV16-52 1         | Bowen Basin          | CSG    | 23.85%     | C&S, successful gas             |
| Hackett 2         | Cooper/Eromanga - SA | Gas    | 66.60%     | Drilling                        |
| Moomba 187*       | Cooper/Eromanga - SA | Gas    | 66.60%     | C&S, successful gas             |
| Nephrite South 6* | Cooper/Eromanga - SA | Gas    | 66.60%     | C&S, successful gas             |
| Nephrite South 7  | Cooper/Eromanga - SA | Gas    | 66.60%     | C&S, successful gas             |
| Nephrite South 8  | Cooper/Eromanga - SA | Gas    | 66.60%     | C&S, successful gas             |

|                  |                      |     |         |                     |
|------------------|----------------------|-----|---------|---------------------|
| Nephrite South 9 | Cooper/Eromanga - SA | Gas | 66.60%  | C&S, successful gas |
| Raslie 14I       | Surat Basin          | Gas | 30.00%  | Drilling            |
| South Sangu 4    | Bengal Basin         | Gas | 100.00% | Drilling            |
| Stag 38H         | Carnarvon Basin      | Oil | 66.67%  | C&C, successful oil |
| Stag 39H         | Carnarvon Basin      | Oil | 66.67%  | C&C, successful oil |
| Tindilpie 11     | Cooper/Eromanga - SA | Gas | 66.60%  | C&S, successful gas |
| Tindilpie 12     | Cooper/Eromanga - SA | Gas | 66.60%  | C&S, successful gas |

\* Spudded during second quarter 2011.