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**Santos increases 2P reserves to 1,406 million barrels
180% 2P reserves replacement
GLNG dedicated 2P reserves up 12% to 6,721 PJ**

Santos today announced that proved and probable (2P) hydrocarbon reserves increased to 1,406 million barrels of oil equivalent (mmboe) as at the end of 2012. This represents a 2P reserves replacement ratio of 180% and provides a reserves life of 27 years based on 2012 production of 52.1 mmboe.

2012 continued Santos' consistent track record of reserves growth – the company has increased reserves in eight of the past nine years whilst producing over 480 mmboe in the same period.

Chief Executive Officer David Knox said Santos' growing reserve position, combined with existing infrastructure, leaves the company strategically well placed to supply the growing demand for natural gas in Australia and Asia.

Reserve additions in 2012 were driven by strong growth in Cooper Basin gas reserves and include Australia's first shale gas reserves booking from the successful Moomba-191 well. Reserves growth was also recorded in Cooper Basin oil, Queensland CSG, the Carnarvon Basin and Vietnam.

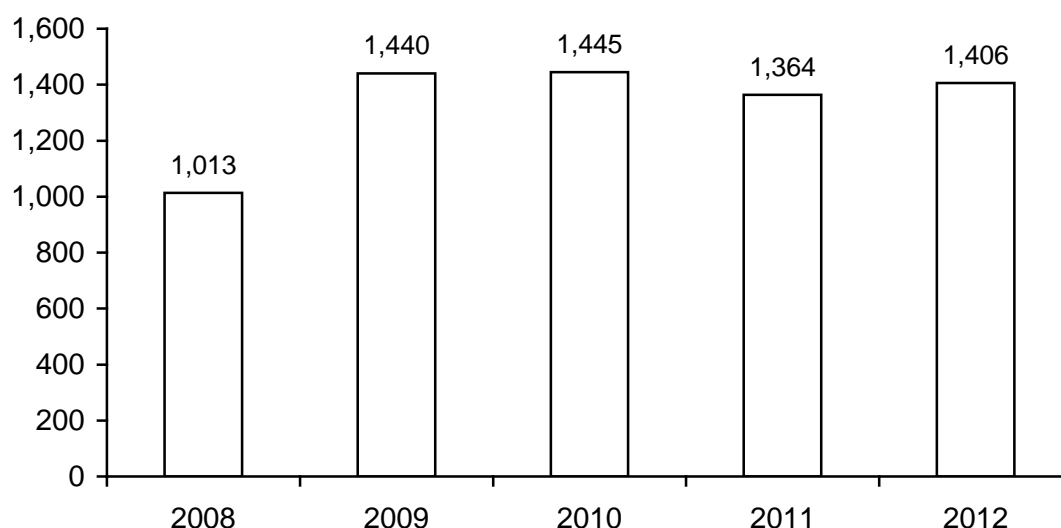
2P reserves grew by 94 mmboe before production. The key movements in reserves were:

- 35 mmboe addition in the Cooper Basin from work program success, technical studies and production performance within the gas (31 mmboe) and oil (4 mmboe) assets.
- 31 mmboe addition in Queensland CSG from increasing Santos' interest in the Combabula field and growth in GLNG reserves.
- 26 mmboe net addition in the Carnarvon Basin driven by upward revisions on John Brookes, Barrow Island, Stag and Spar, partially offset by a downward revision of Reindeer.
- 9 mmboe addition in Vietnam due to an upward revision of Chim Sao reserves from successful drilling results and strong production performance, combined with the sanction of the Dua tie-back development.
- 12 mmboe reduction in Bayu-Undan reflecting updated reservoir modelling.

After deducting 2012 production of 52 mmboe, Santos' year-end 2P reserves were 1,406 mmboe, 42 mmboe higher than 2011. The organic (excluding acquisitions and divestments) 2P reserves replacement ratio was 136%.

On a proved (1P) basis, year-end reserves were 663 mmboe, 14 mmboe higher than 2011. This represents an organic 1P reserves replacement ratio of 124%.

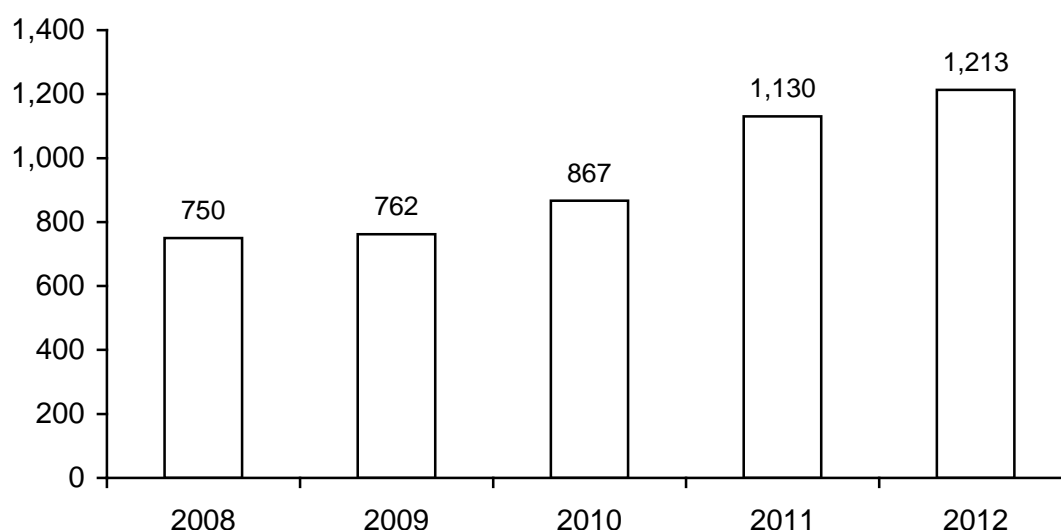
**Santos 2P reserves (mmboe)
(year-end December Santos share)**



Strong growth in Cooper Basin gas reserves

Successful ongoing results from the Cooper Basin gas infill drilling program combined with technical studies and production performance drove the booking of 149 petajoules (PJ) Santos share of 2P sales gas reserves in 2012. Santos' net share of Cooper Basin 2P sales gas reserves has increased by 40% over the past two years to 1,213 PJ (209 mmboe).

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



Success with the Moomba-191 shale gas well enabled Santos to make Australia's first shale gas 2P reserves booking in 2012. Moomba-191 was commissioned in September 2012 and was flowing at 2.5 million standard cubic feet per day at the end of December. Three vertical and three horizontal wells are planned in the Moomba REM shale play in 2013-14.

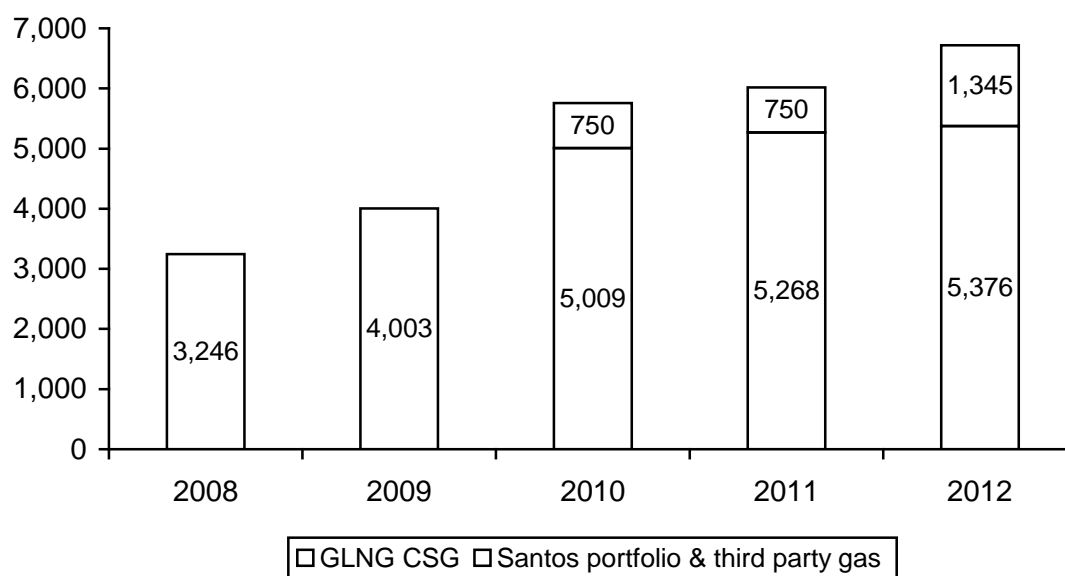
GLNG Project dedicated 2P reserves grow by 12% to 6,721 PJ

Santos and its partners continued to execute the gas supply strategy for GLNG during 2012. At the end of the year, dedicated 2P reserves had grown by 12% to 6,721 PJ, including 1,345 PJ of GLNG-dedicated Santos portfolio and third party gas. Key milestones in 2012 included:

- GLNG executed an agreement with Origin Energy for the supply of 365 PJ of gas over a period of 10 years commencing in 2015.
- Santos increased its interest in the Combabula CSG field and swapped gas with APLNG for delivery at Fairview. Santos' share of Combabula 2P reserves at the end of 2012 was 230 PJ.

In the GLNG-dedicated upstream areas, the drilling campaign was focused on building gas deliverability through a greater emphasis on development wells rather than exploration and appraisal. This combined with a technical reassessment adversely impacted reserves additions and contingent resources. Additionally, contingent resources were impacted by the application of new SPE-PRMS guidance (refer below). GLNG share 2P reserves increased by 144 PJ before production and GLNG share 2C resources reduced by 1,639 PJ.

GLNG Dedicated 2P sales gas reserves (PJ)
Including GLNG CSG areas, Santos portfolio and third party gas
(year-end December GLNG share)



GLNG share CSG reserves and resources (excluding Santos portfolio and third party gas)

| CSG Reserves and resources | GLNG Dedicated areas (year-end December GLNG share) | | | | |
|----------------------------|---|-------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| PJ | | | | | |
| 1P | 1,167 | 1,232 | 1,432 | 1,789 | 1,797 |
| 2P | 3,246 | 4,003 | 5,009 | 5,268 | 5,376 |
| 3P | 5,999 | 5,954 | 7,680 | 6,821 | 6,823 |
| 2C | 2,647 | 2,769 | 3,732 | 3,277 | 1,638 |

Contingent resources

Santos' net contingent resources decreased by approximately 200 mmboe to 1,965 mmboe as at the end of 2012. The year included technical reassessments of coal seam gas recovered volumes and Cooper Basin gas-in-place.

Key movements in contingent resources in 2012 included:

- 125 mmboe reduction in GLNG and other Queensland coal seam gas fields from a technical reassessment of recovery factors associated with deeper and/or lower permeability coals combined with the application of the new SPE-PRMS guidance. GLNG share 2C contingent resources were revised down to 1,638 PJ as at the end of 2012.
- 64 mmboe reduction in Cooper Basin unconventional from the application of the new SPE-PRMS guidance and a technical reassessment of gas-in-place.
- 51 mmboe reduction from successful commercialisation of resources to reserves, including Cooper Basin Infill, John Brookes, Dua and Moomba-191.
- 49 mmboe reduction from the farm-down of Caldita Barossa.
- 69 mmboe addition from the Crown exploration discovery.
- 62 mmboe addition in Cooper Basin conventional due to upward assessments.

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) prepared by the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). In November 2011, the SPE published updated guidance for the estimation of reserves and resources. Santos, in conjunction with its external reserves auditors, is applying the new SPE-PRMS guidance for 2012 reserves and resources estimation across its portfolio of assets and in particular in relation to its unconventional reservoirs in the Cooper Basin and coal seam gas in eastern Australia.

For all unconventional reservoirs, the new guidance has more rigorous requirements for discovery and booking contingent resources, and these have been applied to update the Cooper Basin unconventional and coal seam gas estimates in 2012. The guidance is now weighted towards more definitive demonstration of potentially moveable hydrocarbons and limiting the areal extent around each discovery well to which contingent resources may be assigned. In addition, in the absence of a nearby commercial analogue, planned and budgeted pilots are required to support contingent resources bookings associated with technology under development.

A table detailing the company's oil and gas reserves and resources position as at 31 December 2012 is attached to this release.

Notes

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. LNG project sales gas reserves are estimated after deducting the fuel, flare and vent necessary to produce and deliver sales gas to the LNG plant.

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) prepared 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. Each auditor found, based on the outcomes of its respective audit and evaluation, and its understanding of the estimation processes employed by Santos, that Santos' 31 December 2012 reserves and contingent resources quantities in aggregate compare reasonably to those estimates prepared by each auditor. Thus, in the aggregate, the total volumes summarised in the Santos summary table represent a reasonable estimate of Santos' Reserves and Contingent Resources position as at 31 December 2012.

Santos share reserves and resources as at 31 December 2012.

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) BY ACTIVITY

| | Sales gas | Crude oil | Condensate | LPG | Total |
|----------------------------------|-----------|-----------|------------|------------|-------|
| | PJ | mmbbl | mmbbl | 000 tonnes | mmboe |
| Reserves year end 2011 | 6959 | 71 | 72 | 3449 | 1364 |
| Production | -222 | -10 | -3 | -194 | -52 |
| Additions | 294 | 20 | 0 | 116 | 71 |
| Acquisitions/Divestments | 130 | 1 | 0 | 0 | 23 |
| Estimated reserves year end 2012 | 7161 | 82 | 69 | 3371 | 1406 |

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) YEAR END 2012 BY AREA

| Area | Sales gas | Crude oil | Condensate | LPG | Total |
|---|-------------|-----------|------------|-------------|-------------|
| | PJ | mmbbl | mmbbl | 000 tonnes | mmboe |
| Eastern Australia | | | | | |
| Cooper Basin | 1213 | 30 | 21 | 2522 | 280 |
| Southern Australia | 367 | 0 | 5 | 398 | 71 |
| Qld CSG | 1920 | 0 | 0 | 0 | 330 |
| Qld Conventional | 41 | 0 | 0 | 0 | 7 |
| NSW CSG | 1141 | 0 | 0 | 0 | 196 |
| Total EA | 4682 | 30 | 26 | 2920 | 884 |
| Western Australia and Northern Territory | | | | | |
| Carnarvon | 831 | 26 | 9 | 0 | 177 |
| Bonaparte | 179 | 0 | 7 | 451 | 41 |
| Amadeus | 123 | 8 | 2 | 0 | 31 |
| Total WA & NT | 1133 | 34 | 18 | 451 | 249 |
| Asia Pacific | | | | | |
| PNG | 1228 | 0 | 25 | 0 | 235 |
| Indonesia | 93 | 1 | 0 | 0 | 17 |
| Vietnam & Bangladesh | 25 | 17 | 0 | 0 | 21 |
| Total AP | 1346 | 18 | 25 | 0 | 273 |
| Total | 7161 | 82 | 69 | 3371 | 1406 |

| RESERVES (SANTOS SHARE) (mmboe) | Year End 2011 | Production | Additions | Acq / Div | Year End 2012 |
|------------------------------------|------------------|------------|-----------|-----------|------------------|
| 1P Reserves | 649 | -52 | 65 | 1 | 663 |
| 2P Reserves | 1364 | -52 | 71 | 23 | 1406 |
| 2C Contingent Resources | 2162 | 0 | -108 | -89 | 1965 |