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## Third Quarter Activities Report For Period Ended 30 September 2009

Comparative performance at a glance				
Quarterly comparison		Q3 2009	Q2 2009	Change %
Production	mmbœ	13.9	13.4	+4%
Revenue	A\$ million	557	484	+15%
Oil Price	A\$/bbl	82.52	75.66	+9%
Corresponding period		Q3 2009	Q3 2008	
Production	mmbœ	13.9	13.2	+5%
Revenue	A\$ million	557	730	-24%
Oil Price	A\$/bbl	82.52	146.42	-44%
YTD comparison		2009	2008	
Production	mmbœ	40.5	40.8	-1%
Revenue	A\$ million	1,581	2,114	-25%
Oil Price	A\$/bbl	76.13	128.23	-41%

### Quarterly production summary

- September quarter production of 13.9 mmbœ was 5% higher than the September 2008 quarter and 4% higher than the June 2009 quarter.
- Quarterly natural gas production (including ethane and LNG) of 61PJ was 12% higher than the September 2008 quarter and 2% higher than the June 2009 quarter.
- Crude oil production in the September quarter was 11% higher than the June 2009 quarter primarily due to the reinstatement of production at Mutineer Exeter in June following a planned outage and solid production from the Cooper Basin and Stag.

### Sales revenue impacted by lower international oil prices

- September quarter average realised oil price of A\$82.52 per barrel was 44% lower than a year earlier due to lower international oil prices.
- September quarter average portfolio gas price of \$4.03 per gigajoule was 18% lower than the corresponding period primarily due to lower prices for oil price linked gas sales contracts.

### Key activities during the period

- First gas from the Oyong Phase 2 project in Indonesia. Gas production commenced on time and with an excellent safety performance. Production is ramping up as planned towards plateau rates of approximately 60 mmscfd gross.
- Sale of 60% interest in the Petrel, Tern and Frigate gas fields in the Bonaparte Basin to GDF SUEZ for US\$200 million. GDF SUEZ will lead the development of Bonaparte LNG, a proposed 2mtpa floating LNG project, and the marketing of the LNG. GDF SUEZ will carry Santos' share of pre-FEED and FEED costs and make an additional payment of US\$170 million upon FID of the project.
- Gas discovery in the Browse Basin offshore Western Australia with the Burnside-1 well which encountered a 65 metre gross gas column in the primary target.
- The acquisition of significant additional acreage in the Gunnedah Basin in northern New South Wales and an investment in leading local coal seam gas company Eastern Star Gas Limited.

Santos Chief Executive Officer David Knox said the base business delivered a solid production performance in the September quarter which positions the company to meet its 2009 production guidance of between 53 and 56 million barrels of oil equivalent.

“Our LNG portfolio continues to develop with the addition of our fourth project, Bonaparte LNG, during the quarter. Both PNG LNG and GLNG<sup>®</sup> continue to demonstrate good progress and are on track for final investment decisions by the end of 2009 and the first half of 2010 respectively, while Darwin LNG is delivering solid production.”

“Looking forward, we remain focussed on performance from the base business, delivering significant growth through our LNG projects and focussed opportunities in Asia.”

“We continue to believe natural gas has a strong role to play in addressing the twin challenges of carbon emissions and energy security – in Australia and in Asia,” Mr Knox said.

### 2009 Guidance

All guidance for 2009, including production in the range of 53 to 56 mboe, is maintained.

Item	2009 guidance
Production	53 – 56 mboe
Production costs	\$550 - \$570 million
Depreciation, Depletion & Amortisation (DD&A) expense	\$12.20 per boe
Royalty related taxation expense	\$80 to \$100 million (after tax)
Capital expenditure (including exploration and evaluation)	\$1,600 million

Capital expenditure guidance of \$1,600 million includes \$180 million for conventional exploration which is consistent with prior guidance. Further detail of year to date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 5 in this release.

Royalty related taxation expense guidance assumes an average realised oil price of A\$75 per barrel which is consistent with analyst consensus forecasts for 2009.

## STOCK EXCHANGE ACTIVITIES REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2009

### 1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 30 September 2009 is shown in the table below:

	Quarter Ended			YTD		Full Year
	Q3 2009	Q3 2008	Q2 2009	2009	2008	2008
<b>Sales Gas, Ethane and LNG (PJ)</b>						
Cooper Basin	19.9	22.7	21.1	59.7	66.7	90.2
Surat/Bowen/Denison	7.8	7.7	8.4	23.5	26.7	32.8
Amadeus	2.6	3.0	2.9	8.2	9.2	12.2
Otway/Gippsland	5.2	5.2	5.4	16.2	16.9	21.0
Carnarvon	13.5	3.7	9.6	31.8	17.6	27.3
Bonaparte (LNG)	4.1	4.3	4.0	12.5	12.3	16.3
Indonesia	6.6	6.3	7.1	21.0	18.0	24.2
Bangladesh	1.3	1.5	1.5	4.5	5.0	6.3
<b>Total Sales Gas, Ethane and LNG Production</b>	<b>61.0</b>	<b>54.4</b>	<b>59.8</b>	<b>177.4</b>	<b>172.4</b>	<b>230.3</b>
<b>Total Sales Volume (Own Product)</b>	<b>64.3</b>	<b>55.5</b>	<b>58.9</b>	<b>176.8</b>	<b>166.7</b>	<b>220.5</b>
<b>Total Sales Volume (Third Party)</b>	<b>7.0</b>	<b>4.2</b>	<b>8.1</b>	<b>23.3</b>	<b>7.9</b>	<b>17.4</b>
<b>Gas Price (Avg A\$/GJ)</b>	<b>4.03</b>	<b>4.90</b>	<b>3.90</b>	<b>4.13</b>	<b>4.30</b>	<b>4.42</b>
<b>Total Sales Revenue (A\$m)</b>	<b>287.1</b>	<b>292.0</b>	<b>261.1</b>	<b>826.7</b>	<b>751.4</b>	<b>1051.4</b>
<b>Condensate (000's bbls)</b>						
Cooper Basin	265.2	329.9	151.9	715.0	948.4	1295.1
Surat/Denison	0.0	5.1	2.8	5.6	13.8	17.4
Amadeus	11.5	14.5	12.9	36.3	54.3	67.4
Otway	6.0	5.6	6.1	18.1	17.5	22.1
Carnarvon	136.2	43.8	97.0	317.6	223.9	291.4
Bonaparte	386.7	389.4	367.5	1173.6	1189.9	1594.7
Bangladesh	0.2	0.4	0.2	0.6	1.5	1.2
<b>Total Condensate Production</b>	<b>805.8</b>	<b>788.7</b>	<b>638.4</b>	<b>2266.8</b>	<b>2449.3</b>	<b>3289.3</b>
<b>Total Sales Volume (Own Product)</b>	<b>1015.9</b>	<b>592.6</b>	<b>663.8</b>	<b>2598.0</b>	<b>2397.5</b>	<b>3166.5</b>
<b>Total Sales Volume (Third Party)</b>	<b>2.7</b>	<b>1.9</b>	<b>2.7</b>	<b>7.7</b>	<b>6.0</b>	<b>7.4</b>
<b>Condensate Price (Avg A\$/bbl)</b>	<b>72.48</b>	<b>128.88</b>	<b>59.62</b>	<b>63.13</b>	<b>117.12</b>	<b>101.18</b>
<b>Condensate Price (Avg US\$/bbl)</b>	<b>60.16</b>	<b>107.50</b>	<b>44.90</b>	<b>48.29</b>	<b>106.08</b>	<b>85.28</b>
<b>Total Sales Revenue (A\$m)</b>	<b>73.8</b>	<b>76.6</b>	<b>39.7</b>	<b>164.5</b>	<b>281.5</b>	<b>321.2</b>
<b>LPG (000 t)</b>						
Cooper Basin	34.9	43.9	40.3	110.8	122.0	162.0
Surat/Denison	0.0	0.3	0.0	0.2	1.1	1.3
Bonaparte	21.8	22.8	20.6	66.3	66.3	88.1
<b>Total LPG Production</b>	<b>56.7</b>	<b>67.0</b>	<b>60.9</b>	<b>177.3</b>	<b>189.4</b>	<b>251.4</b>
<b>Total Sales Volume (Own Product)</b>	<b>59.5</b>	<b>52.9</b>	<b>57.9</b>	<b>192.3</b>	<b>172.7</b>	<b>246.6</b>
<b>Total Sales Volume (Third Party)</b>	<b>0.6</b>	<b>1.0</b>	<b>0.9</b>	<b>2.5</b>	<b>2.8</b>	<b>3.9</b>
<b>LPG Price (Avg A\$/t)</b>	<b>671.78</b>	<b>1003.95</b>	<b>555.05</b>	<b>643.74</b>	<b>1008.05</b>	<b>951.74</b>
<b>Total Sales Revenue (A\$m)</b>	<b>40.4</b>	<b>54.1</b>	<b>32.6</b>	<b>125.4</b>	<b>176.9</b>	<b>238.4</b>
<b>Crude Oil (000's bbls)</b>						
Cooper Basin	861.6	959.6	912.3	2713.0	3016.0	3945.7
Surat/Denison	15.8	18.2	14.3	46.3	53.0	71.1
Amadeus	31.7	37.4	30.0	89.7	94.4	127.9
Legendre	79.7	94.8	79.7	230.3	225.6	299.6
Thevenard	75.5	94.5	80.6	222.8	257.5	339.8
Barrow	148.5	155.7	144.5	427.6	466.9	617.0
Stag	444.1	499.1	437.9	1237.0	1145.9	1627.9
Mutineer Exeter	344.7	328.8	66.4	734.5	934.7	1254.6
Jabiru/Challis	28.2	39.0	28.5	84.9	115.2	142.0
Indonesia	116.9	225.2	127.1	420.7	791.3	983.4
SE Gobe	33.3	43.7	40.9	116.4	145.0	188.2
<b>Total Crude Oil Production</b>	<b>2180.0</b>	<b>2496.0</b>	<b>1962.2</b>	<b>6323.2</b>	<b>7245.5</b>	<b>9597.2</b>
<b>Total Sales Volume</b>	<b>1882.8</b>	<b>2099.0</b>	<b>1987.3</b>	<b>6094.3</b>	<b>7048.3</b>	<b>9796.8</b>
<b>Oil Price (Avg A\$/bbl)</b>	<b>82.52</b>	<b>146.42</b>	<b>75.66</b>	<b>76.13</b>	<b>128.23</b>	<b>117.45</b>
<b>Oil Price (Avg US\$/bbl)</b>	<b>68.49</b>	<b>122.13</b>	<b>56.97</b>	<b>58.23</b>	<b>116.14</b>	<b>98.99</b>
<b>Total Sales Revenue (A\$m)</b>	<b>155.3</b>	<b>307.3</b>	<b>150.4</b>	<b>464.0</b>	<b>903.8</b>	<b>1150.6</b>
<b>TOTAL</b>						
<b>Production (mmboe)</b>	<b>13.9</b>	<b>13.2</b>	<b>13.4</b>	<b>40.5</b>	<b>40.8</b>	<b>54.4</b>
<b>Sales Volume (mmboe) Own Product</b>	<b>14.4</b>	<b>12.7</b>	<b>13.2</b>	<b>40.6</b>	<b>39.4</b>	<b>52.8</b>
<b>Sales Volume (mmboe) Third Party</b>	<b>1.2</b>	<b>0.7</b>	<b>1.4</b>	<b>4.0</b>	<b>1.4</b>	<b>3.0</b>
<b>Sales Volume Total</b>	<b>15.6</b>	<b>13.4</b>	<b>14.6</b>	<b>44.6</b>	<b>40.8</b>	<b>55.8</b>
<b>Sales Revenue (A\$m)</b>	<b>556.6</b>	<b>730.1</b>	<b>483.8</b>	<b>1580.6</b>	<b>2113.6</b>	<b>2761.8</b>

## **Production by Area**

*Comparisons with prior 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**

Crude oil production of 0.86 million barrels was 6% lower than Q2 2009 due to natural field decline. Drilling recommenced with 4 wells drilled; 3 cased and suspended. Connection activity continued with 1 new well brought online late in the third quarter. Interpretation of 3D seismic surveys continues to deliver additional exploration and in-field opportunities for drilling.

Sales gas and ethane production of 19.9 petajoules (PJ) was 12% lower than Q3 2008 due to natural field decline and unscheduled downtime.

Condensate production of 0.27 mmbbl was 20% lower than Q3 2008 due to natural field decline and unscheduled downtime.

### **Surat Basin/Bowen Basin/Denison Trough**

Sales gas production of 7.8 PJ was 1% higher when compared with Q3 2008 due to higher production from Fairview offset by the sale of 40% of GLNG<sup>®</sup> to PETRONAS effective from 1 August 2008. Production was lower than Q2 2009 due to the sale of the Churchie fields and a planned customer outage at Scotia, partially offset by higher production from Fairview. The Fairview Phase 2 expansion was completed last quarter and the field has achieved capacity of 115TJ/day.

### **Amadeus Basin**

Sales gas production of 2.6 PJ was 13% lower than Q3 2008 due to natural field decline.

### **Otway Basin/Gippsland Basin**

Aggregate sales gas production of 5.2 PJ was inline with Q3 2008.

### **Carnarvon Basin**

Gas production from the John Brookes field of 13.5 PJ was significantly higher than Q3 2008 due to the impact of the Varanus Island incident on the corresponding period.

Mutineer-Exeter's Q3 2009 production of 0.34 mmbbl was significantly higher when compared to Q2 2009 as the FPSO was shutdown as planned for repairs on the swivel in April and May 2009. Repairs were completed on schedule, without incident and production restarted on 2 June 2009.

### **Bonaparte Basin**

Gross Bayu-Undan LNG production of 911,739 tonnes (51 PJ) is 1% higher when compared to Q3 2008. Santos' net entitlement production of 77,673 tonnes (4.1 PJ) was marginally lower than the 2008 comparative period.

Gross Bayu-Undan condensate production of 5.7 mmbbl was 6% lower than Q3 2008. Santos' net entitlement production of 0.4 mmbbl was marginally higher than the 2008 comparative period.

Gross Bayu-Undan LPG production of 300,724 tonnes was 3% lower than Q3 2008. Santos' net entitlement production of 21,800 tonnes was marginally higher than the 2008 comparative period.

### **Indonesia**

Sales gas production of 6.6 PJ was 5% higher than Q3 2008 due to higher Maleo gas offtakes. Indonesian crude oil production of 0.12 mmbbl was 8% lower when compared to Q2 2009 due to natural field decline at Oyong and the sale of Kakap.

## 2. CAPITAL EXPENDITURE

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

Capital Expenditure Summary (\$ millions)		Quarter Ended			Year to Date	
		Q3 2009	Q3 2008	Q2 2009	2009	2008
<b>Exploration</b>						
	Capitalised	8.0	41.0	1.6	30.6	67.6
	Expensed	28.0	27.0	55.7	128.0	116.1
	Total Expenditure	36.0	68.0	57.3	158.6	183.7
<b>Evaluation including CSG</b>						
	Capitalised	(2.0)	14.1	16.5	36.3	57.7
	Expensed	18.2	10.9	-	24.4	29.4
	Total Expenditure	16.2	25.0	16.5	60.7	87.1
<b>Development and Other PP&amp;E</b>		279.8	300.9	304.6	876.8	829.1
<b>Total Capital Expenditure</b>		<b>332.0</b>	<b>393.9</b>	<b>378.4</b>	<b>1,096.1</b>	<b>1,099.9</b>

### 2.1 EXPLORATION ACTIVITY

Exploration drilling activity during the third quarter is shown in the table below:

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Burnside-1ST1	Browse Basin	Gas	47.83	Gas discovery
Huday Nazar-1	Kyrgyzstan – onshore	Oil	70	P&A
North Ayzar-1	Kyrgyzstan – onshore	Oil	70	P&A

Burnside-1ST1, located in Permit WA-281-P in the Browse Basin, spudded on 15 June 2009 and reached total depth of 4,182 metres. The well encountered a 65 metre gross gas column in the primary target Brewster Sandstone. Wireline logging indicated the presence of gas throughout the relatively low-permeability sandstone interval. A sample was obtained which confirmed Ichthys quality gas and condensate. Pressure data acquired within the reservoir supports the potential for the gas column to extend below the base of the sand. The reservoir penetrated in the Burnside-1ST1 well is within the same geologic formation that is gas-bearing in nearby fields such as Ichthys, Mimia and Prelude. Santos is the operator and has a 47.83% interest.

Huday Nazar-1 well, located in the Fergana Basin, Kyrgyzstan, spudded on 1 August 2009 and reached total depth of 2,215 metres. The well was evaluated with wireline logs and subsequently plugged and abandoned as a sub-commercial oil discovery. Non-commercial hydrocarbons were present in the well in shallow formations. Santos has a 70% interest in the licence holder, Southern Petroleum Company CJSC (SPC).

North Ayzar-1 well, located in the Fergana Basin, Kyrgyzstan, spudded on 11 June 2009 and reached total depth of 1,860 metres. The well intersected hydrocarbon shows during drilling of the primary target, but following wireline log evaluation the well was plugged and abandoned. Santos has a 70% interest in the licence holder, Southern Petroleum Company CJSC (SPC).

### Seismic Activity

Seismic activity during the third quarter is shown in the table below:

Permit	Area/Basin	Survey	Type	Km/Km <sup>2</sup>	Status
PEL1,12,450,453	Gunnedah Basin	Gwydir 2D (Phase 2)	2D Land	40	Complete
PL 234,653P	Dennison Basin	Arcadia 2D	2D Land	89	Complete
PL Charvak	Fergana Basin	Charvak	2D Land	14	Complete

## 2.2 Evaluation and CSG Activity

Total evaluation expenditure in Q3 2009 was \$16.2 million, comprising near-field exploration, CSG and exploration appraisal expenditure.

The table below details the evaluation and CSG wells drilled during the third quarter and their status:

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Charo 4	Cooper/Eromanga - SA	Oil	66.6	P&A
Charo 5	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Charo 6	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Charo 7	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Coonadoo 3	Surat Basin	CSG	60.0	C&S, successful gas
Roma Downs 2	Surat Basin	CSG	60.0	C&S, successful gas
Bardlomey 1	Surat Basin	CSG	100	C&S, successful gas
Glenray 1	Surat Basin	CSG	81.9	C&S, successful gas
Lonesome South 1	Surat Basin	CSG	47.7	C&S, successful gas
Horse Creek 4	Surat Basin	CSG	2.6	C&S, successful gas
Gordon Park 1	Surat Basin	CSG	60.0	P&A
Lucky Gully 4	Surat Basin	CSG	2.6	Drilling
Combabula 4	Surat Basin	CSG	2.6	C&S, successful gas
Combabula 5	Surat Basin	CSG	2.6	C&S, successful gas
Combabula 7	Surat Basin	CSG	2.6	C&S, successful gas
Meeleebee 4	Surat Basin	CSG	2.6	C&S, successful gas
Pickanjinnie 18	Surat Basin	CSG	100	C&S, successful gas
Hardenley 3	Bowen Basin	CSG	47.75	C&S, successful gas
Sunnyholt 2	Bowen Basin	CSG	47.75	C&S, successful gas
Sunnyholt 3	Bowen Basin	CSG	47.75	C&S, successful gas
Sunnyholt 4	Bowen Basin	CSG	47.75	C&S, successful gas
Sunnyholt 5	Bowen Basin	CSG	47.75	C&S, successful gas
Castle Hill 2	Bowen Basin	CSG	47.75	C&S, successful gas
Castle Hill 3	Bowen Basin	CSG	47.75	C&S, successful gas
Castle Hill 4	Bowen Basin	CSG	47.75	C&S, successful gas
Tarcoola Station 1	Bowen Basin	CSG	47.7	C&S, successful gas
Scrubber Gully 1	Bowen Basin	CSG core hole	30.0	P&A, core hole
Springwater 2	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Springwater 3	Bowen Basin	CSG core hole	47.7	Drilling
Checkers 1	Bowen Basin	CSG core hole	50.0	P&A, core hole
Fairview 417	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Fairview 418	Bowen Basin	CSG core hole	47.7	C&S, observation well
Fairview 419	Bowen Basin	CSG core hole	47.7	Drilling
Dewhurst 9	Gunnedah Basin	CSG	35.0	C&S, successful gas
Dewhurst 10	Gunnedah Basin	CSG	35.0	C&S, successful gas
Biblewindi 27	Gunnedah Basin	CSG	35.0	Suspended
Biblewindi 28H	Gunnedah Basin	CSG	35.0	Suspended
Biblewindi 29	Gunnedah Basin	CSG	35.0	C&S, successful gas
Dewhurst 11	Gunnedah Basin	CSG core hole	35.0	Drilling
Yallabee 1	Gunnedah Basin	CSG core hole	35.0	P&A, core hole
Bomera East 1	Gunnedah Basin	CSG core hole	100	P&A, core hole
Wallumburrawang 1	Gunnedah Basin	CSG core hole	100	P&A, core hole
Broken Dam 1	Gunnedah Basin	CSG core hole	100	P&A, core hole
Tintfield 1	Gunnedah Basin	CSG core hole	35.0	Drilling
Wisemans 1/1A	Gunnedah Basin	CSG core hole	100	P&A, core hole
Yarraman 1	Gunnedah Basin	CSG core hole	100	Drilling
Brawboy 1	Gunnedah Basin	CSG core hole	100	P&A, core hole
Tambar Springs East 1/1A	Gunnedah Basin	CSG core hole	100	P&A, core hole
Tambar Springs East 2	Gunnedah Basin	CSG core hole	100	Drilling

## 2.3 Development Activity

Development expenditure during the third quarter was \$279.8 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Psyche 6	Cooper/Eromanga - QLD	Gas	60.06	C&S, successful gas
Wackett 14	Cooper/Eromanga - QLD	Gas	60.06	C&S, successful gas
Wackett 15	Cooper/Eromanga - QLD	Gas	60.06	C&S, successful gas
Wackett 16	Cooper/Eromanga - QLD	Gas	60.06	P&A
Okotoko West 2	Cooper/Eromanga - QLD	Gas	60.06	C&S, successful gas
Surlow 2	Cooper/Eromanga - SA	Gas	60.06	C&S, successful gas
Bobs Well 2	Cooper/Eromanga - SA	Gas	66.6	Drilling
Cowralli 11	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Bayu Undan D13ST1	Timor Sea	Gas	11.4	C&C, successful gas
Fairview 163	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 168	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 257	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 258	Bowen Basin	CSG	47.75	C&S, successful gas
Fairview 270	Bowen Basin	CSG	47.75	C&S, successful gas
Fairview 276	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 283	Bowen Basin	CSG	47.7	C&S, successful gas
Yebna North 2	Bowen Basin	CSG	47.7	C&S, successful gas
Yebna North 3	Bowen Basin	CSG	47.7	C&S, successful gas
Pickanjinie 19	Surat Basin	CSG	100	Drilling
Pleasant Hills 31	Surat Basin	CSG	60.0	C&S, gas injector
Pleasant Hills 32	Surat Basin	CSG	60.0	C&S, gas injector
Biblewindi 21H	Gunnedah Basin	CSG	35.0	C&S, successful gas

The status of the development projects which were in progress during the third quarter are as follows.

### **Oyong Project (Santos 45%, operator)**

Gas production commenced from the Oyong Phase-2 project located off Madura Island, East Java, Indonesia on 2 October 2009. Oyong Phase-2 was sanctioned in December 2007 and involves modifications to the offshore facilities and construction of a 60-kilometre pipeline to a new onshore gas processing facility located in East Java. The gas is sold to PT Indonesia Power Grati for use in the Grati power station. After an initial ramp-up period, gross gas production rates are expected to be about 60 mmscfd during the plateau period.

### **Henry (VIC/P44 Stage 2) Development Project (Santos 50%, operator)**

Henry was sanctioned in November 2007 and involves the drilling and connection of the Henry field to the existing Casino infrastructure. The offshore installation contract has now been awarded with a target project completion by the first half of 2010.

### **Kipper Project (Santos 35%, ExxonMobil operator)**

Kipper was sanctioned in December 2007 and involves the development of sub-sea wells tied back to existing processing infrastructure. Project attention is focused on third party services & support contracts, with subsea equipment engineering and procurement proceeding to plan. First gas remains on target for first half of 2011.

### **Reindeer Project (Santos 45%, Apache operator)**

Reindeer was sanctioned in April 2008 and involves the development of an offshore wellhead platform, 105 kilometre pipeline to shore and construction of a new onshore gas processing plant with a capacity of 215TJ/day gross. Construction of the onshore gas processing facility at Devil Creek has commenced. Scheduled commissioning of the Reindeer project remains on target for the second half of 2011.

### **GLNG<sup>®</sup> Project (Santos 60%, operator)**

GLNG<sup>®</sup> is a transformational project for Santos and involves the production of LNG using coal seam gas (CSG) sourced from the GLNG<sup>®</sup> gas fields in the Bowen and Surat Basins. The initial phase of the project is on track for a production capacity of approximately 3.5 mtpa of LNG, with FID in the first half of 2010 to enable first gas cargoes in 2014. The design contemplates a capacity of up to 10 mtpa of LNG.

Progress during Q3 2009 included:

- Upstream, pipeline and two train plant FEED works progressing on schedule.
- 15 wells drilled in the greater Roma area and 25 drilled in the greater Fairview area.
- Following the submission of GLNG<sup>®</sup>'s draft Environmental Impact Statement (EIS) on 30 March 2009, the EIS has gone through an extensive public consultation process which concluded on 17 August 2009. Over 30 consultation sessions were held with 40 formal submissions made to the Queensland Government.

### **PNG LNG Project (Santos 17.7%, ExxonMobil operator)**

The PNG LNG Project proposes to commercialise the undeveloped gas and condensate resources in the Hides, Angore and Juha fields and the associated gas resources in the currently operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western Provinces of PNG. The gas will be transported by pipeline to an LNG facility twenty kilometres northwest of Port Moresby on the coast of the Gulf of Papua.

The PNG LNG Project participants have reached alignment on commercial terms with three major LNG buyers in the Asian region for sales of approximately 4.3 mtpa. A fourth LNG buyer is awaiting Government approval of key commercial terms for a non-binding Heads of Agreement for the remaining 2 mtpa of production capacity. The PNG LNG Project participants also have agreed to commence early works on the Project to enable full-scale construction to commence in early 2010. The Project remains on schedule for a final investment decision by the end of 2009.

On 19 October, Santos announced that it has received new cost and throughput information regarding the PNG LNG Project from the operator ExxonMobil. These estimates remain preliminary as the contract awards have not yet been made.

## **3. HEDGING**

There was no hedging outstanding at the end of third quarter 2009.

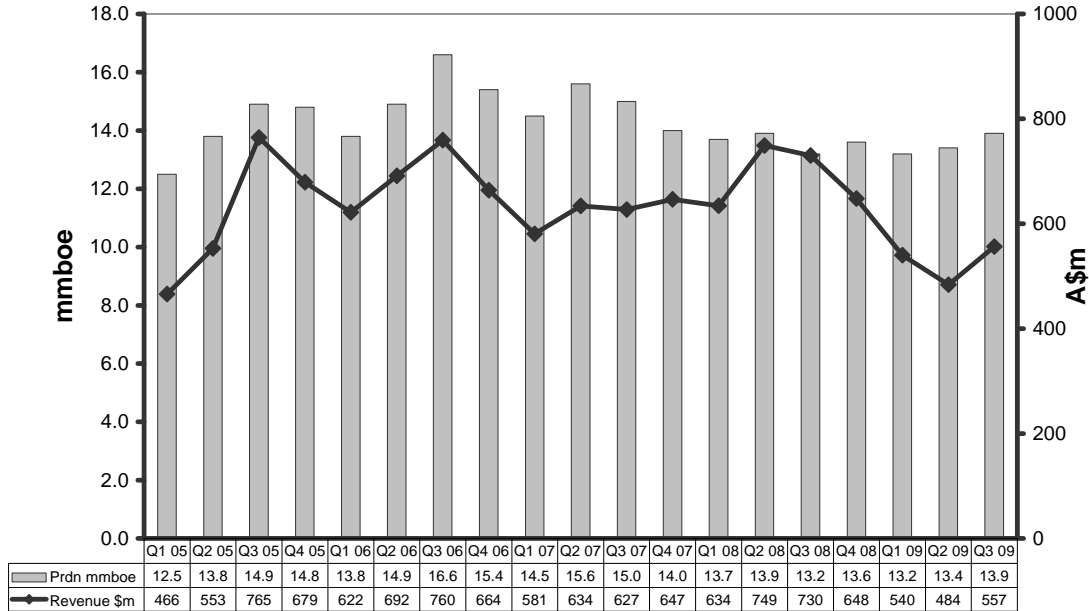
## **4. BUSINESS DEVELOPMENT**

Santos announced on 3 June 2009 that it had executed a conditional agreement to sell its 50.353% operated interest in Petroleum Retention Licence No. 5 (PRL 5) in Papua New Guinea to a wholly owned subsidiary of P3 Global Energy Company Limited, a Thailand-based privately held energy company, for US\$20 million.

Horizon Oil (Kanau) Limited, one of the joint venture partners in PRL 5, pre-empted the transaction with P3 Global Energy Company Limited. Consequently, Santos signed a new conditional agreement with Horizon Oil (Kanau) Limited. The terms and conditions of the sale remain substantially the same.



## 5. QUARTERLY PRODUCTION AND REVENUE CHART



## 6. CONVERSION FACTORS AND ABBREVIATIONS

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, 1PJ	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		