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24 November 2010

## **Spar-2 appraisal well confirms Spar Field upside**

Santos today announced that appraisal drilling and wireline logging of the Spar-2 well in WA-4-R, located in the Carnarvon Basin offshore Western Australia, has confirmed 55 metres of net gas pay in the primary target Upper Barrow reservoir. The target reservoir has demonstrated very high productivity.

Spar-2 was flow tested to surface at a gas rate of 58 million cubic feet per day (mmcf/d) and a condensate rate of 16 barrels per mmcf of gas through a 1 inch choke. Flow rates were constrained by the test facilities' capacity. The well has been completed as a producing gas well in the Upper Barrow Reservoir.

With the Spar-2 net gas pay confirmed above pre-drill estimates, the recoverable resource in the Spar field, while still being assessed, is expected to be significantly greater than the 335PJ gross previously stated.

The deeper secondary exploration target in the well has also intersected an approximate total of 40 metres of net gas pay over several sands within the deeper B Reticulatum zone. A drill stem test was run over a 12 metre section of this target and flowed at a gas rate of 5 mmcf/d and a condensate rate of 6 barrels per mmcf of gas through a 1 inch choke.

The current plan is to tie the Spar-2 well back to Varanus Island via the Halyard development, which is under construction.

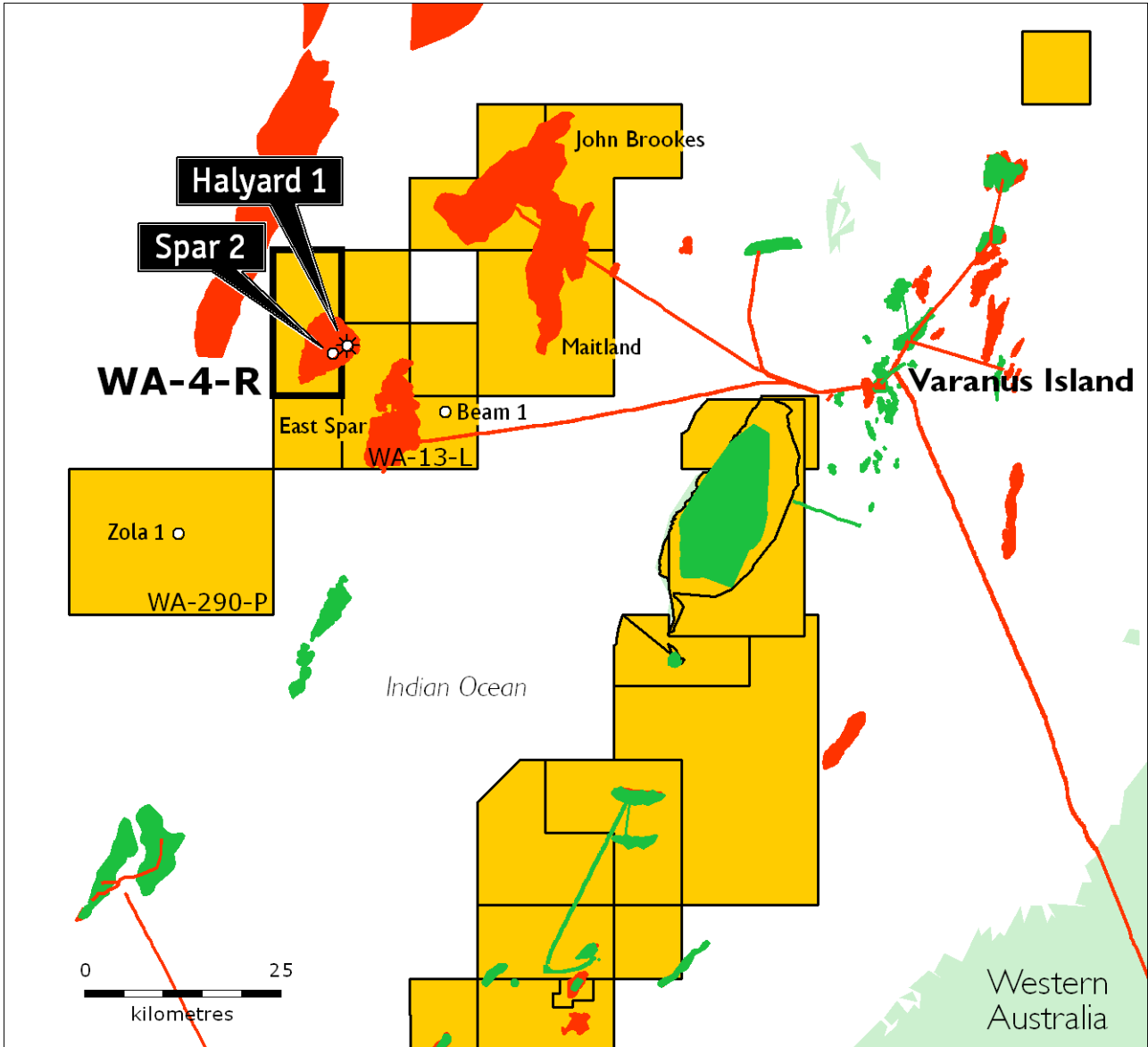
The drilling of Spar-2 follows the announcement made by Santos on 30 August 2010 in which it sold 55% of WA-4-R to Apache Energy (Apache) for US\$31 million with additional payments up to US\$85 million depending on the level of certified reserves. As part of the transaction, Santos confirmed its 45% participation in the Halyard well development, also located within the Spar field structure, scheduled to be on line in the first half of 2011.

Spar-2 is located approximately 70 kilometres due west of Varanus Island, in the Carnarvon Basin, Western Australia, and only 2 kilometres from Halyard.

Santos holds 45% of WA-4-R. Apache owns the remainder and is the operator.

On release from Spar-2 the rig will move to the nearby WA-290-P Permit to drill the Zola-1 exploration well in which Santos has a 24.75% interest (Apache operator). Apache and Santos are also planning to drill a further gas exploration opportunity named Beam in 2011, located in WA-13-L (Santos 45%). A map of the Greater East Spar Area is attached.

Ends



**LEGEND**

- Santos Acreage
- Oil Field
- Gas Field
- Oil Pipeline
- Gas Pipeline

