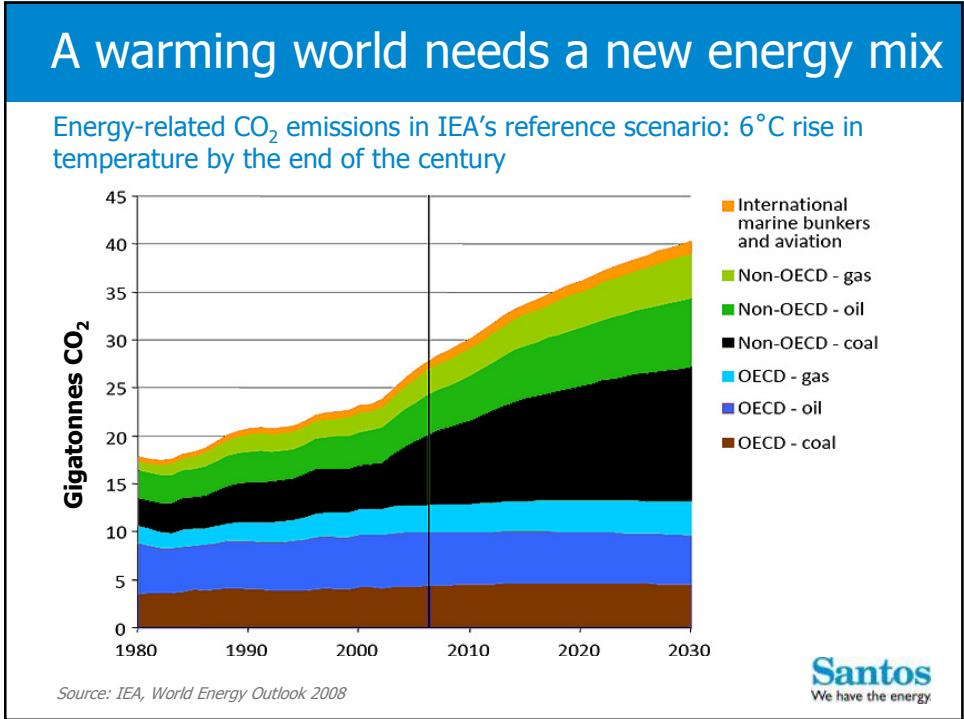




Financial Review Energy Conference

David Knox, Chief Executive Officer
23 October 2009



The world is waking up to Natural Gas

Gas is the fuel that offers the greatest potential to provide the largest (CO₂) reductions at the lowest cost - all that by using technology that's available today.

Tony Hayward, BP, 8 Oct 2009

Climate Solutions:
The WWF Vision for 2050

5.1.5 Replacing High-Carbon Coal with Low-Carbon Natural Gas

In the short term, an increase in the use of natural gas¹⁸ as a "transition fuel" can play a significant part in avoiding the locking in of higher emissions from coal, thereby buying more development time for other energy solutions to grow. While this is

Center for American Progress



Natural Gas

A Bridge Fuel for the 21st Century

John D. Podesta and Timothy E. Wirth August 10, 2009

Summary

Natural gas is the cleanest fossil fuel—it produces less than half as much carbon pollution as coal. Recent technology advancements make affordable the development of unconventional natural gas resources. This creates an unprecedented opportunity to use gas as a bridge fuel to a 21st-century energy economy that relies on efficiency, renewable sources, and low-carbon fossil fuels such as natural gas.

How to end America's deadly coal addiction

By Robert F. Kennedy Jr.

19 July 2009

Converting rapidly from coal-generated energy to gas is President Barack Obama's most obvious first step towards saving our planet and jump-starting our economy. A revolution in natural gas production

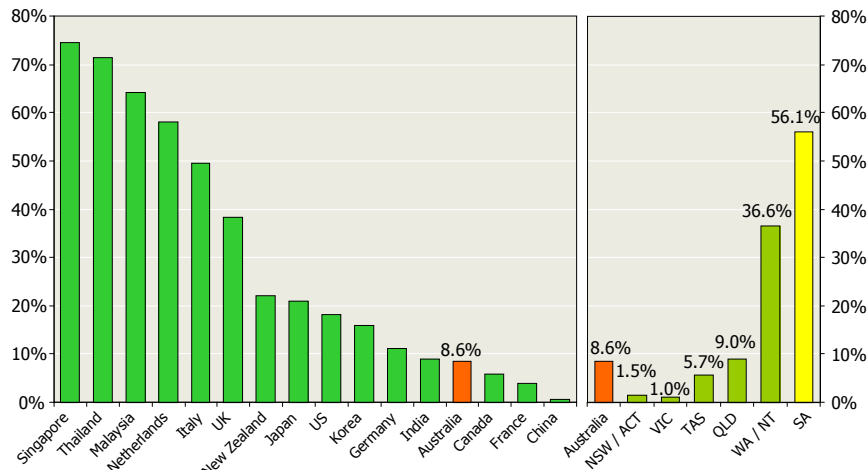
Financial Times, July 2009



Has Australia woken up?

Gas is underutilised in Eastern Australia for electricity generation

Gas Penetration as % of Power Generated

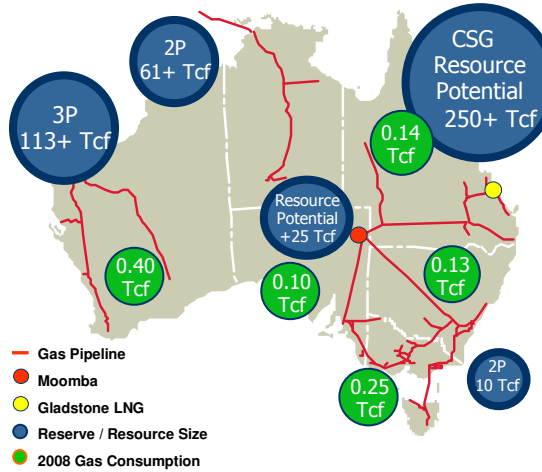


Source: IEA 2007 Edition; EIA; Santos



Natural Gas: We have the energy

On 2008 consumption levels, eastern Australia has several hundred years of possible CSG resources alone ...



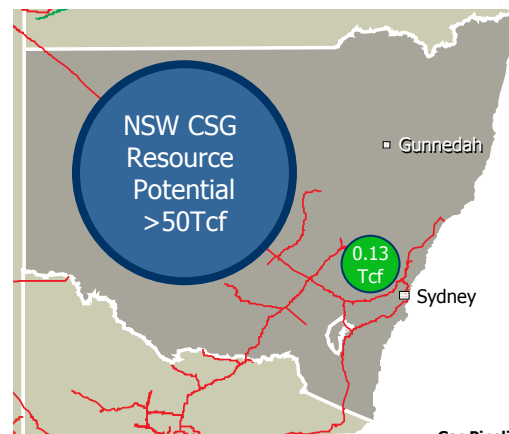
- Eastern Australian gas demand: ~0.65 Tcf pa
- 2P reserves in eastern Australia over 32 Tcf
- World class CSG potential: ~250 Tcf
- 1000PJ=~1Tcf
- Over 25,000 kms of gas pipelines

Sources: Wood Mackenzie; ABARE; EnergyQuest.
Consumption from ESAA 2009



Gas abundance: the NSW story

Santos has significant position in NSW coal seam gas play with Gunnedah Basin potential resource >50 Tcf



- Progress in Gunnedah
 - Santos has drilled 16 coreholes of a 24 well programme
 - Successful trials of horizontal well technology by partner Eastern Star
 - Sweet spots identified and dewatering in progress
- Significant CSG potential
 - Coal thickness and permeability compare with world's best
 - Gas content highly encouraging

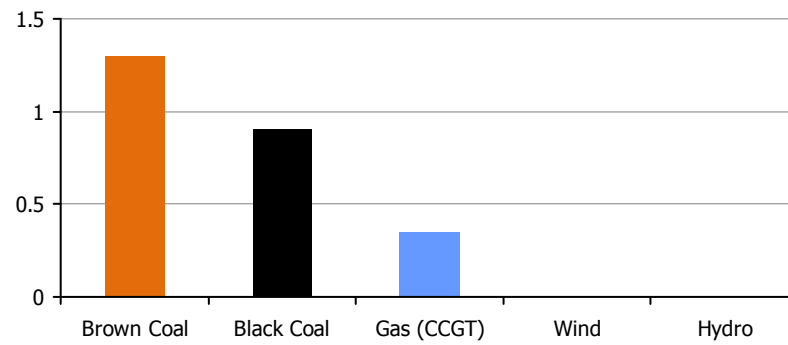
Sources: Wood Mackenzie; ABARE; EnergyQuest.
Consumption from ESAA 2009



Benefits of gas can no longer be ignored

Carbon price and level playing field will drive transition from coal to gas

Emission intensity of various fuel types for electricity generation (CO₂e/MWh)



75% of Australia's existing coal plants are 20 years or older

Sources: Dept of Climate Change "Tracking to Kyoto Target", Santos internal data

Santos
We have the energy