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PNG LNG Project approved by Co-Venturers

Delivery milestone in LNG growth strategy

Commercialises 218 million boe of contingent resources to 2P reserves

Santos today announced the next major step in its transformational LNG growth strategy with the approval of the Papua New Guinea liquefied natural gas (PNG LNG) Project, pending completion of sale and purchase agreements with LNG buyers and finalisation of financing arrangements with lenders.

PNG LNG will see Santos and its partners build gas production, processing, transportation and liquefaction facilities capable of producing 6.6 million tonnes of LNG per annum. Santos' share of the estimated capital cost of the Project is US\$2 billion.

With the decision by the co-venturers to approve the Project, the PNG government and landowner nominees have joined the Project as equity partners. Santos has a 13.5% interest in the Project. Project interests will be subject to re-determination soon after initial production.

The Project participants will now proceed to finalise LNG sales agreements and financing arrangements. These are expected to be concluded by early 2010 in order to begin the next phase of construction.

The ExxonMobil operated PNG LNG Project will commercialise the undeveloped petroleum resources in the Hides, Angore and Juha fields and 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 20 kilometres northwest of Port Moresby on the coast of the Gulf of Papua where it will be liquefied and exported by ship.

PNG LNG will provide Santos with long-term underpinning production and cash flows over the Project production period. Santos' share of Project production is expected to be approximately nine million barrels of oil equivalent (mmboe) per annum at plateau including LNG and associated liquids.

The Project will commercialise approximately 218 mmboe of Santos' contingent resources to proven and probable (2P) reserves. This represents a 22% increase in Santos' 2P reserves as at 31 December 2008.

Santos Chief Executive Officer, David Knox said approval of PNG LNG was a significant step forward in the company's LNG growth strategy.

"PNG LNG alone will transform Santos' production and earnings profile when it comes on line in 2014 and create a legacy asset for decades to come. We look forward to the appraisal drilling in the Hides field which will help determine the further upside available from our interest in the Project."

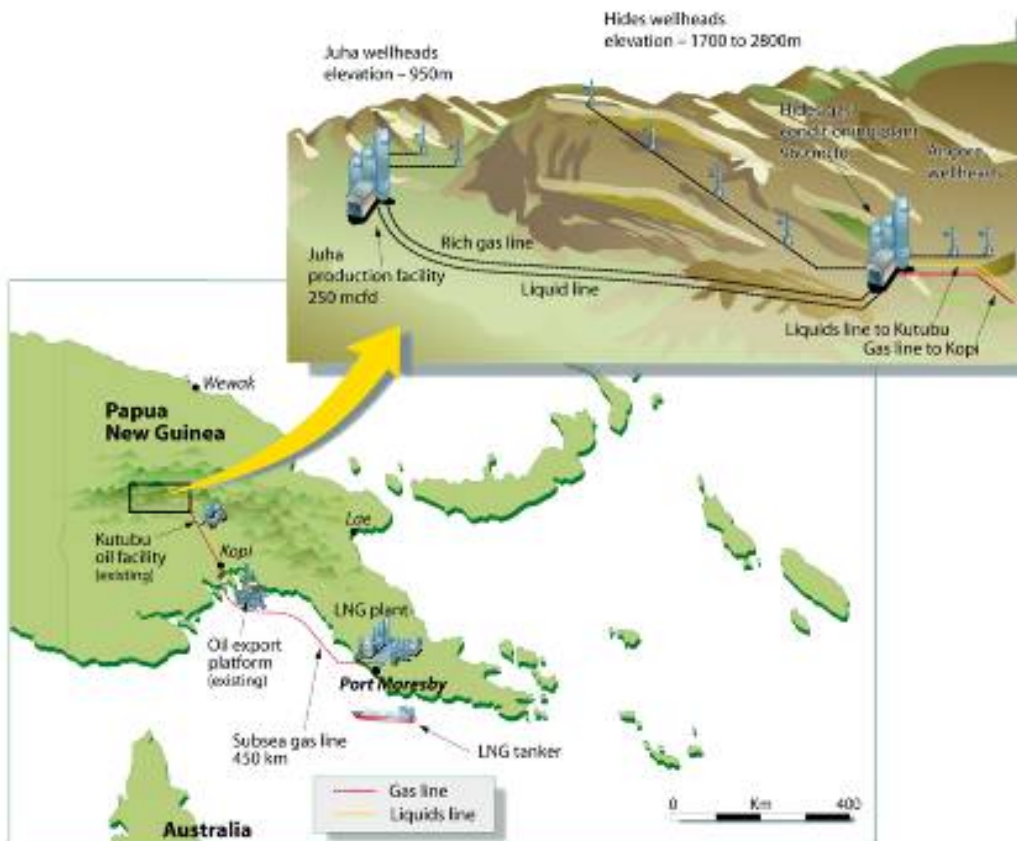
"I appreciate the strong commitment of the government of Papua New Guinea, the PNG landowners and our operator Exxon to make this Project a reality."

"By 2015, Santos' goal is to have production from Darwin LNG, PNG LNG, GLNG[®] and be constructing Bonaparte LNG. This will represent a transformation of the company into a leading Asian and Australian energy company", Mr Knox said.

Santos' LNG growth portfolio comprises the following assets

Project	Project attributes	Key partner
GLNG [®] Australia Santos 60%	<ul style="list-style-type: none"> • Leading coal seam gas to LNG project • On track for FID first half 2010 • 3.6mtpa first train • 2 train FEED • First LNG sales 2014 	PETRONAS
PNG LNG Papua New Guinea Santos 13.5%	<ul style="list-style-type: none"> • FID achieved 8 December 2009 • 6.6mtpa 2 trains • First LNG sales 2014 	ExxonMobil
Darwin LNG Australia Santos 11.4%	<ul style="list-style-type: none"> • Commenced production in 2006 • 3.6mtpa single train 	ConocoPhillips
Bonaparte LNG Australia Santos 40%	<ul style="list-style-type: none"> • Proposed 2mtpa floating LNG • Santos carried to FID 	GDF SUEZ

PNG LNG Project map



About Santos

Santos is a major Australian oil and gas exploration and production company with interests and operations in every major Australian petroleum province and in Indonesia, Papua New Guinea, Vietnam, India, Bangladesh, and Kyrgyzstan. Santos is one of Australia's largest domestic gas producers, supplying sales gas to all mainland Australian states and territories, ethane to Sydney, and oil and liquids to domestic and international customers. Through its interest in the Darwin LNG project, Santos is already a producer of liquefied natural gas which is exported to customers in Japan.

More information about Santos may be obtained from www.santos.com

About PNG LNG

The PNG LNG Project is an integrated development that includes gas production and processing facilities, onshore and offshore pipelines and liquefaction facilities. Santos has a 13.5% interest in PNG LNG. Other participants are entities of ExxonMobil (33.2% and operator), Oil Search (29%), IPBC (PNG Government) (16.6%), Nippon Oil (4.7%), Mineral Resources Development Company (PNG landowners) (2.8%) and Petromin PNG Holdings Limited (0.2%).

Ends.