

First Quarter Activities Report For period ending 31 March 2012



19 April 2012

Comparative performance at a glance

Corresponding period	Q1 2012	Q1 2011	Change
Production (mmboe)	12.4	11.0	+13%
Sales (mmboe)	14.0	13.1	+ 7%
Sales revenue (\$million)	754	501	+50%

Quarterly comparison	Q1 2012	Q4 2011	Change
Production (mmboe)	12.4	11.7	+6%
Sales (mmboe)	14.0	14.0	+0%
Sales revenue (\$million)	754	750	+1%

First quarter production up 13% and sales revenue up 50%

- > Production of 12.4 million barrels of oil equivalent (mmboe) in the March quarter was up 13% primarily due to production from new assets.
- > Quarterly gas production of 53PJ was 6% above the corresponding period due to new production from the Reindeer and Spar projects in Western Australia and Wortel in Indonesia, and higher Cooper Basin production as the recovery from flooding continues.
- > The average gas price of \$5.21/GJ was up 24% on the corresponding period, driven by higher LNG prices, higher Indonesian gas prices following the Maleo price review and the commencement of production from Reindeer in Western Australia.
- > Crude oil production of 2.1 million barrels was 55% higher than the corresponding period following the commissioning of Chim Sáo in Vietnam in October 2011, combined with higher Cooper Basin oil production.
- > Sales revenue of \$754 million for the March quarter was 50% higher than the corresponding period, driven by higher oil and gas prices and higher sales volumes, combined with a change in the accounting treatment for the purchase and sale of third party crude oil (see page 4).
- > Production guidance for 2012 is maintained at 51 to 55 mmboe.

Key activities during the period

- > Final investment decision on the \$490 million Fletcher Finucane oil project in the Carnarvon Basin, offshore Western Australia. First oil is expected in the second half of 2013.
- > First gas from Wortel in Indonesia at the end of January, with the project delivered on budget.
- > First permanent concrete pour on Curtis Island for the GLNG train-1 foundations.
- > Fracture stimulation underway at the end of the quarter at Moomba-191, Santos' first dedicated vertical shale well in the Cooper Basin.
- > Gas discovery at Sangu-11 in Bangladesh, which has been tied into the Sangu facilities.

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Santos Chief Executive Officer David Knox said the company was beginning to reap the benefits of the successful and on-time project start-ups in 2011 that were now contributing to increased production.

"Our production compared to last year has increased as a result of adding four new projects to the base business."

"Higher production, combined with strong oil and gas prices, has delivered a solid first quarterly result, setting a strong foundation for 2012."

"Project delivery remains the focus of the PNG LNG and GLNG projects, both of which remain on-track for first LNG in 2014 and 2015 respectively," Mr Knox said.

2012 guidance

All guidance for 2012 is maintained, as shown in the table below.

Item	2012 guidance
Production (mmboe)	51 - 55
Production costs (\$million)	610 - 640
Depreciation, depletion & amortisation (DD&A) expense (\$/boe)	14
Royalty-related taxation expense (\$million after tax) ¹	80 - 100
Capital expenditure (including exploration and evaluation) (\$billion) ²	3.75

¹ Royalty-related taxation expense guidance based on an average realised oil price of A\$100 per barrel.

² Capital expenditure guidance excludes capitalised interest.

Santos expects its effective tax rate (excluding royalty-related taxation expense) for 2012 will be approximately 34%, in line with the effective rate incurred in 2011.

Further detail of 2012 year-to-date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 6 of this report.

1. Production

	Quarter ended			Full year
	Q1 2012	Q1 2011	Q4 2011	2011
Sales gas, ethane and LNG (PJ)				
Cooper	15.2	14.8	16.2	66.1
Surat/Bowen/Denison	3.0	3.7	3.5	14.2
GLNG	2.5	2.4	2.0	9.0
Amadeus	0.0	0.2	0.0	0.7
Otway	4.1	4.3	4.1	19.0
Gunnedah	0.0	0.0	0.1	0.2
Carnarvon	16.7	10.3	12.2	45.5
Bonaparte	3.9	3.7	3.4	14.7
Indonesia	7.0	10.0	5.3	33.9
Vietnam	0.2	0.0	0.0	0.0
Bangladesh	0.5	0.7	0.9	3.5
Total production (PJ)	53.1	50.1	47.7	206.8
Total production (mmboe)	9.1	8.6	8.2	35.6
Condensate (000 bbls)				
Cooper	293.4	233.6	275.9	1,072.0
Surat/Denison	0.6	0.9	0.6	2.8
Amadeus	7.5	5.9	7.8	24.1
Otway	3.7	4.3	3.9	19.5
Carnarvon	161.8	98.1	138.5	502.4
Bonaparte	317.6	337.8	314.5	1,291.9
Indonesia	1.6	1.6	0.9	5.2
Bangladesh	0.2	0.2	0.2	0.6
Total production (000 bbls)	786.4	682.4	742.3	2,918.5
Total production (mmboe)	0.8	0.6	0.7	2.7
LPG (000 t)				
Cooper	31.2	28.4	32.7	134.4
Bonaparte	18.6	19.2	18.4	75.2
Total production (000 t)	49.8	47.6	51.1	209.6
Total production (mmboe)	0.4	0.4	0.4	1.7
Crude oil (000 bbls)				
Cooper	739.9	635.8	712.3	2,831.4
Surat/Denison	21.1	26.3	19.7	89.6
Amadeus	49.9	20.5	40.1	112.7
Thevenard	48.3	47.3	61.2	235.5
Barrow	141.6	108.2	139.2	526.0
Stag	266.3	345.2	433.2	1,677.2
Mutineer-Exeter	162.1	54.2	244.0	669.5
Indonesia	71.6	111.3	42.9	269.9
Vietnam	604.7	0.0	680.6	680.6
PNG	21.6	21.4	15.8	77.5
Total production (000 bbls)	2,127.1	1,370.2	2,389.0	7,169.9
Total production (mmboe)	2.1	1.4	2.4	7.2
TOTAL				
Production (mmboe)	12.4	11.0	11.7	47.2

2. Sales volumes and sales revenue

	Quarter ended			Full year
	Q1 2012	Q1 2011	Q4 2011	2011
Sales gas, ethane and LNG				
Sales volumes – own product (PJ)	48.0	50.2	45.8	204.5
Sales volumes – third party (PJ)	11.8	13.7	13.8	61.3
Total sales volumes (PJ)	59.8	63.9	59.6	265.8
Total sales volumes (mmboe)	10.3	11.0	10.3	45.7
Average gas price (A\$/GJ)	5.21	4.20	5.55	4.71
Total sales revenue (\$million)	311	269	331	1,252
Condensate				
Sales volumes – own product (000 bbls)	732.7	581.8	897.0	2,712.6
Sales volumes – third party (000 bbls)	49.1	44.4	45.2	207.0
Total sales volumes (000 bbls)	781.8	626.2	942.2	2,919.6
Total sales volumes (mmboe)	0.7	0.6	0.8	2.7
Average condensate price (A\$/bbl)	101.22	116.86	103.57	103.86
Average condensate price (US\$/bbl)	105.86	117.85	104.80	106.60
Total sales revenue (\$million)	79	73	97	303
LPG				
Sales volumes – own product (000 t)	55.3	41.6	43.2	197.8
Sales volumes – third party (000 t)	1.3	0.6	0.0	0.6
Total sales volumes (000 t)	56.6	42.2	43.2	198.4
Total sales volumes (mmboe)	0.5	0.4	0.4	1.7
Average LPG price (A\$/t)	930.36	860.12	801.81	861.52
Average LPG price (US\$/t)	973.06	867.37	811.35	884.18
Total sales revenue (\$million)	53	36	35	171
Crude oil				
Sales volumes – own product (000 bbls)	1,946.0	1,114.0	2,517.9	6,990.2
Sales volumes – third party (000 bbls) ¹	603.3	-	-	-
Total sales volumes (000 bbls)	2,549.3	1,114.0	2,517.9	6,990.2
Total sales volumes (mmboe)	2.5	1.1	2.5	7.0
Average crude oil price (A\$/bbl)	121.90	110.70	114.06	114.96
Average crude oil price (US\$/bbl)	127.49	111.64	115.42	117.98
Total sales revenue (\$million)	311	123	287	804
Total				
Sales volume – own product (mmboe)	11.3	10.7	11.6	46.4
Sales volume – third party (mmboe)	2.7	2.4	2.4	10.7
Total sales volume (mmboe)	14.0	13.1	14.0	57.1
Total sales revenue (\$million)	754	501	750	2,530

¹ Santos has reviewed its accounting treatment of certain Cooper Basin arrangements relating to crude oil purchases and sales that it has previously recorded as trading income. Effective 1 January 2012, these arrangements have been recorded as product sales and third party product purchases. Santos expects third party crude oil purchases to be within a range of 2.4 – 3.0 mmboe during 2012. Prior period comparatives in the table above have not been restated.

3. Production by area

Comparisons between 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 table on page 3.

Cooper Basin

Gas production of 15.2 petajoules (PJ) during the quarter was 3% higher than Q1 2011, primarily due to lower weather-related field downtime in the current quarter. Production capacity is expected to increase during 2012 as the backlog of well connections is brought online.

Condensate production of 0.29 mmbbl for the quarter was up 26% on the corresponding quarter, as more liquids-rich production wells were brought online.

Crude oil production increased 4% from the previous quarter to 0.73 mmbbl as access improved following localised adverse weather conditions.

Surat/Bowen/Denison

Sales gas production of 3.0 PJ was lower than Q1 2011 primarily due to the natural decline of the existing Denison well stock combined with the shut-down of part of the field.

GLNG

Sales gas production of 2.5 PJ was in line with Q1 2011, as gas is produced to meet customer nominations with the remainder being injected into storage.

Otway

Sales gas production of 4.1 PJ was 5% lower than Q1 2011 due to a planned shutdown at the Iona gas processing plant in March 2012.

Carnarvon

Gas production from the Carnarvon Basin of 16.7 PJ was 61% higher than Q1 2011, primarily due to strong production from John Brookes combined with the commencement of production from Reindeer and Spar.

Condensate production of 0.16 mmbbl was 65% higher than Q1 2011 due to the higher condensate yield from Spar, higher John Brookes production and the commencement of production from Reindeer.

Oil production from Stag and Mutineer-Exeter was lower than Q4 2011 due to shut-downs in the current quarter related to cyclone activity offshore Western Australia. Stag also required unscheduled maintenance on its main flowline.

Bayu-Undan/Darwin LNG

Gross Bayu-Undan gas production of 52.5 PJ was 3% higher than Q1 2011. Santos' net entitlement production was 3.9 PJ.

Gross Bayu-Undan condensate production of 5.1 mmbbl was 5% lower than Q1 2011. Santos' net entitlement production was 0.32 mmbbl.

Gross Bayu-Undan LPG production of 255,529 tonnes was 1% lower than Q1 2011. Santos' net entitlement production was 18,600 tonnes.

As previously advised, a planned 35-day full field shutdown at Bayu-Undan and Darwin LNG will be conducted during Q2 2012.

Indonesia

Santos' net entitlement to gas production in Q1 2012 of 7.0 PJ was 30% lower than the corresponding period primarily due to a lower entitlement to Maleo gas following the favourable price review in 2011 and natural field decline at Oyong. This was partially offset by the commencement of gas production from Wortel in late January 2012.

Vietnam

Santos' net entitlement to Chim Sáo oil production of 0.60 mmbbl was 11% lower than Q4 2011, primarily due to a three-week unplanned shutdown of the Lewak Emas FPSO vessel for repairs to seawater pumps.

Bangladesh

Sales gas production of 0.5 PJ was lower than Q1 2011 due to natural field decline from existing wells. The Sangu-11 discovery is being prepared for production by mid-year.

4. Capital expenditure

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

	Quarter ended		
	Q1 2012	Q1 2011	Q4 2011
Capital expenditure summary (\$million)			
Exploration	23	30	50
Evaluation including CSG	33	16	32
Development and other PP&E	594	622	825
Total capital expenditure	650	668	907

Exploration and evaluation expensed summary (\$million)			
From current year expenditure:			
Exploration	21	8	59
Evaluation	13	6	14
Total current year expenditure	34	14	73
Write-off net amounts capitalised in prior years	2	-	1
Total expensed	36	14	74

4.1 Exploration activity

Well	Basin	Target	Santos %	Well status
Beam-1	Carnarvon, WA	Gas	45	P&A

Beam-1, a gas exploration well located five kilometres east of the East Spar field in the Carnarvon Basin offshore Western Australia, was spudded on 22 February 2012. The well was drilled to a depth of 2,715 metres and intersected water-bearing sands of the Upper Barrow Group. The well was plugged and abandoned and the rig was released on 21 March 2012.

4.2 Seismic activity

Permit	Area/basin	Survey	Type	km/km ²	Status
ATP259P, PL411, PL148	Cooper	Scarab-Whantos 3	3D onshore	189	Ongoing
ATP259P, PL141	Cooper	Tonto-Whantos-Mt Howitt 2D	2D onshore	72	Ongoing
Block 13/03	Nam Con Son, Vietnam	NCSN12	3D offshore	357	Ongoing

5. Development projects

Development expenditure during the first quarter of 2012 was A\$594 million. The status of development projects during the first quarter is as follows:

Wortel project (Santos 45%, operator)

The Wortel project was approved for development in November 2010. Wortel is located seven kilometres west of the Santos-operated Oyong oil and gas field, offshore Madura Island in the Sampang PSC, East Java, Indonesia. The project includes two gas wells, a minimum facility wellhead platform and a 10-kilometre gas pipeline to the existing Oyong wellhead platform. Wortel gas production will flow through the existing 60-kilometre pipeline to the onshore gas processing facility at Grati for processing and onward sale.

Gas production commenced from Wortel at the end of January and the project was delivered on budget. For further information, refer to the ASX release of 1 February 2012.

Fletcher Finucane project (Santos 48%, operator)

The Fletcher Finucane oil project is located in permit WA-191-P in the Carnarvon Basin, offshore Western Australia. Fletcher Finucane was sanctioned on 13 January 2012 and involves the development of a three-well subsea tie back to the existing Santos-operated FPSO facility at Mutineer-Exeter. First oil production is expected in the second half of 2013, at an average gross production rate of 15,000 barrels per day for the initial 12 months of production.

The development is progressing well with engineering near completion and fabrication of key sub-sea equipment well underway. The drilling campaign is scheduled to commence mid-year, using the Nan Hai 6 Mobile Offshore Drilling Unit.

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. Drilling and completion of the Kipper wells was completed in 2010, as was fabrication of the subsea equipment and umbilicals. The first two flow bases and trees have been installed.

As of the end of March, the Kipper coolers and manifold have been installed and the subsea tie-in works have commenced and continue as scheduled. The operator has informed the Kipper Unit Joint Venture (KUJV) that first gas will be deferred due to the need for the installation of mercury removal facilities. The current schedule provides for the operator to present proposed plans for these facilities to the KUJV in the first half of 2012.

PNG LNG project (Santos 13.5%, ExxonMobil operator)

Sanctioned in December 2009, the PNG LNG project will develop gas and condensate resources in the Hides, Angore and Juha fields and associated gas resources in the operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western Provinces of Papua New Guinea. The gas will be transported by pipeline to a gas liquefaction plant 25 kilometres north-west of Port Moresby with a capacity of 6.6 mtpa. PNG LNG has binding LNG sales agreements with four Asian buyers.

Construction continues to progress at the LNG plant and upstream locations. At the Hides gas conditioning plant, piling is completed in the utilities area and continues in the process area. Road access and wellpad construction is in progress and the first drilling rig is being transported to the Highlands. At the Komo airfield site, earthmoving continues to progress according to plan. The entire onshore pipeline route has now been surveyed, and over 106 kilometres of the 292-kilometre pipeline has been welded. Offshore pipelay is over 75% complete. At the LNG plant site, process plant and tank construction is progressing well. Trestle installation for the 2.4-kilometre offloading jetty is nearing completion. The project remains on track for first LNG cargo in 2014.

GLNG project (Santos 30%, operator)

Sanctioned in January 2011, GLNG includes the development of coal seam gas resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre underground gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. GLNG has binding LNG sales agreements with PETRONAS and KOGAS for 7.0 mtpa in aggregate. The project has an estimated gross capital cost of US\$16 billion from final investment decision to the end of 2015. First LNG exports are expected in 2015.

In the upstream, all drilling and completion rigs are back in operation following wet weather during the first quarter. In 2012 to date, 28 CSG wells have been spudded and 37 wells have been completed in the project areas. Fluor continues to mobilise to commence construction of the field gathering system and hub compressor stations, with a total of 350 people now working in the gas fields.

The strategy is to execute the most efficient gas supply for the project, including the development of the dedicated GLNG coal seam gas fields, gas from underground storage, Santos portfolio supply and third party supply. Discussions are ongoing with third parties, including Santos, for gas supply.

During the March quarter, the project lodged an Initial Advice Statement with the Queensland Department of Environment and Resource Management for a proposed gas treatment facility to be located at Wallumbilla, adjacent to an existing compressor station owned by Santos. The facility will have a capacity to process 250TJ per day of natural gas. The facility is included within the US\$16 billion GLNG project capital cost.

GLNG's existing environmental approval allows for the development of 2,650 wells in the project areas in the Surat and Bowen Basins in Queensland. The project has submitted a referral to the Federal Government in relation to the next stage of upstream field development, including development of additional acreage in the Fairview/Arcadia, Roma and Scotia areas. This acreage was identified as part of the GLNG environmental impact statement, which was approved in 2010. The environmental approval process will include seeking approval for the development of an additional 4,100 wells in the project areas over the life of the project.

Engineering and procurement for the 420-kilometre underground gas transmission pipeline is more than 80% complete, and Saipem has more than 100 people working on the project in Queensland. Three hundred kilometres of line-pipe have been fabricated and five shipments of pipe have been delivered to the GLNG pipe-yards in Gladstone and Port Alma. All of the pipe-lay equipment has arrived in Gladstone and pipe-lay is planned to commence later this year.

On the Curtis Island LNG plant site, bulk earthworks are 75% complete and the construction of LNG tank foundations has commenced. The first permanent concrete was poured for the foundations of the GLNG train-1 compressor, with the concrete provided from the on-site batching facility. Construction continues to progress on the material offloading facility, haul road, construction camp locations and on the LNG logistics facilities on the mainland. The first 288 onsite accommodation units are complete and are being progressively occupied.



Aerial view of GLNG train-1 compressor foundations on Curtis Island, 2 April 2012.

6. Drilling summary

6.1 Appraisal/evaluation wells

The table below details wells drilled during the first quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Noosa 1 [#]	Cooper/Eromanga–Qld	Oil	50	P&A
Coolangatta 2 [#]	Cooper/Eromanga–Qld	Oil	50	P&A
Bullamakanka 1	Cooper/Eromanga–Qld	Oil	70	P&A
Stag 41 [#]	Carnarvon	Oil	66.67	P&A, successful appraisal
Stag 42 [#]	Carnarvon	Oil	66.67	P&A, successful appraisal
Tardrum 4	Bowen	CSG	50	C&S, successful CSG
Ridglands West 1	Bowen	CSG	50	P&A, successful CSG appraisal
Brolga Downs 1	Surat	CSG	30	Drilling

6.2 Development wells

The table below details development wells drilled during the first quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Durham Downs 5	Cooper/Eromanga–Qld	Gas	60.06	C&S, successful gas
Leleptian 4	Cooper/Eromanga–SA	Gas	66.6	C&S, successful gas
Tindilpie 13	Cooper/Eromanga–SA	Gas	66.6	C&S, successful gas
Durham Downs North 3	Cooper/Eromanga–Qld	Gas	60.06	C&S, successful gas
Tindilpie 14	Cooper/Eromanga–SA	Gas	66.6	C&S, successful gas
Charo 8	Cooper/Eromanga–SA	Oil	66.6	C&S, successful oil
Charo 9	Cooper/Eromanga–SA	Oil	66.6	C&S, successful oil
Charo 10	Cooper/Eromanga–SA	Oil	66.6	C&S, successful oil
Tindilpie 15	Cooper/Eromanga–SA	Gas	66.6	C&S, successful gas
Stag 43H [#]	Carnarvon	Oil	66.67	Suspended for future completion
Sangu 11ST1	Bengal	Gas	100	C&C, successful gas
Oyong 11	East Java Sea	Oil	45	C&C, successful oil
FV12-23 2	Bowen	CSG	23.85	Suspended for further deepening
RM13-09 2	Surat	CSG	30	C&S CSG
FV12-23 3	Bowen	CSG	23.85	Suspended for further deepening
Fairview 524	Bowen	CSG	23.85	C&S CSG
FV12-23 4ST1	Bowen	CSG	23.85	C&S CSG
FV12-27 1	Bowen	CSG	23.85	Suspended for further deepening
FV18-01 2	Bowen	CSG	23.85	C&S CSG
RM02-20 1	Surat	CSG	30	C&S CSG
FV12-23 5	Bowen	CSG	23.85	C&S CSG
FV12-27 2	Bowen	CSG	23.85	C&S CSG

FV18-01 1	Bowen	CSG	23.85	C&S CSG
RM02-20 2	Surat	CSG	30	C&S CSG
FV17-07 1	Bowen	CSG	23.85	C&S CSG
RM12-10 4	Surat	CSG	30	C&S CSG
FV17-07 2	Bowen	CSG	23.85	C&S CSG
FV16-46 1	Bowen	CSG	23.85	P&A
RM08-07 1	Surat	CSG	30	C&S CSG
RM12-10 3	Surat	CSG	30	C&S CSG
FV15-20 1	Bowen	CSG	23.85	Suspended for further deepening
FV17-07 3	Bowen	CSG	23.85	C&S CSG
FV15-19 1	Bowen	CSG	23.85	Suspended for further deepening
FV16-46 1A	Bowen	CSG	23.85	Suspended for further deepening
RM12-10 2	Surat	CSG	30	C&S, successful CSG
RM08-07 2	Surat	CSG	30	C&S, successful CSG
Pleasant Hills *39I	Surat	CSG	30	C&S, CSG injector
RM12-10 1	Surat	CSG	30	C&S, successful CSG
RM08-07 3	Surat	CSG	30	C&S, successful CSG
FV12-22 3*	Bowen	CSG	23.85	C&S, successful CSG
RM12-06 1	Surat	CSG	30	Drilling

*Spudded during fourth quarter 2011.

Not operated by Santos.

7. Abbreviations and conversion factors

PJ	petajoules	Sales gas and ethane, 1 PJ	171.937 boe x 10 ³
TJ	terajoules	Crude oil, 1 barrel	1 boe
GJ	gigajoules	Condensate (naphtha), 1 barrel	0.935 boe
mmbbl	million barrels	LPG, 1 tonne	8.458 boe
mmboe	million barrels of oil equivalent	LNG, 1 PJ	18,040 t
mmbtu	million British thermal units		
mtpa	million tonnes per annum		
t	tonnes		
P&A	plugged and abandoned		
C&S	cased and suspended		
C&C	cased and completed		
P&S	plugged and suspended		
WI	water injector		
ST	side track		
CSG	coal seam gas		
LNG	liquefied natural gas		
pa	per annum		
FPSO	floating production, storage & offloading		