

Exploration

In Existing Core Areas

Jacques Gouadain

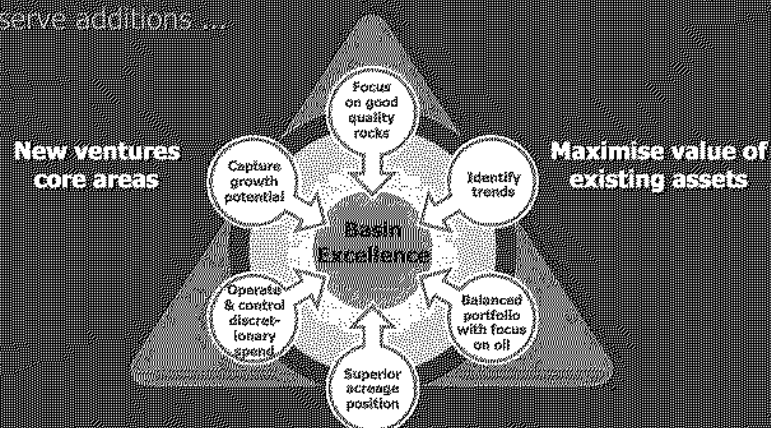
Vice President Geoscience & New Ventures

30 November 2005

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Geoscience & New Ventures Strategic Themes

Successful exploration is a major value contributor through reserve additions ...



International new ventures

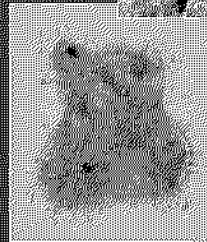
... applying basin excellence strategy creates value

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Why Santos Exploration is Delivering

Areas of excellence ...

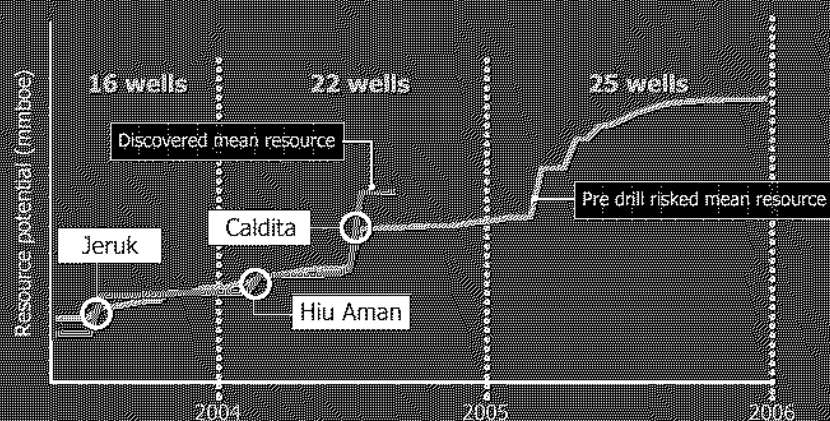
- Basin evaluation
- Deep water capacity
- Biostratigraphy
- Quantitative reservoir interpretation
- Petrophysics & rock typing
- Risk assessment
- Reservoir modelling
- Geophysical operations
- Geological operations



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Exploration Performance

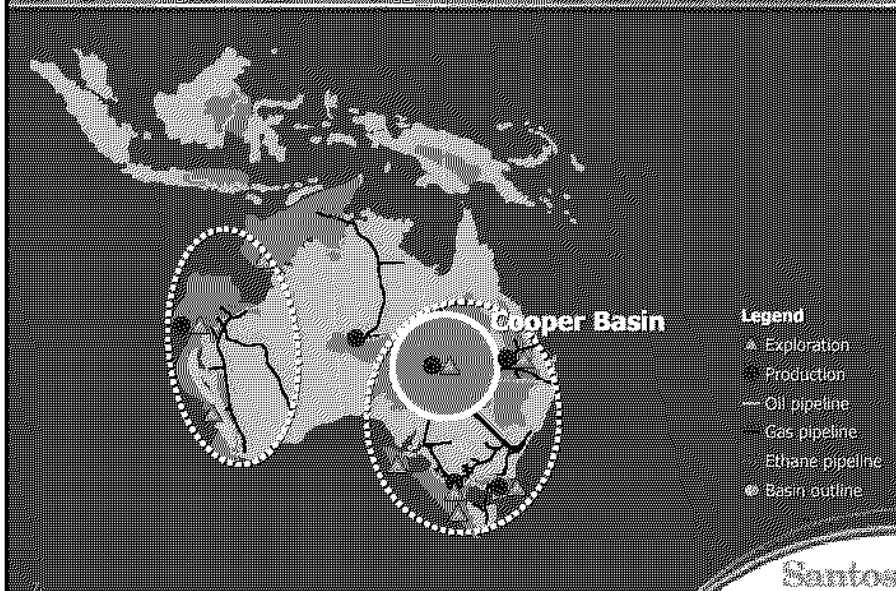
Exploration program has delivered in 2004 and 2005 ...



... with twice the potential in 2006

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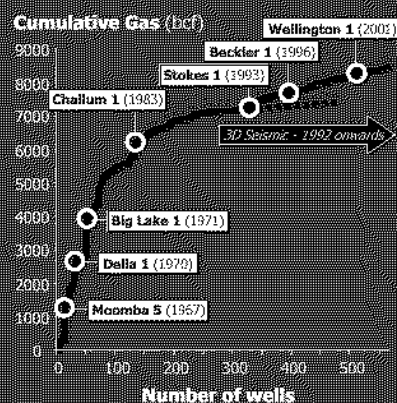
Exploration in Core Areas – Central Australia



Cooper Basin Historical Success

Big fields have already been found ...

- Cooper Basin is mature but opportunities remain
- Small discoveries are economic with existing infrastructure
- 3D seismic has changed the game
- 1.2 Tcf added since 1991
- 2 exploration wells in 2006 to test new play types



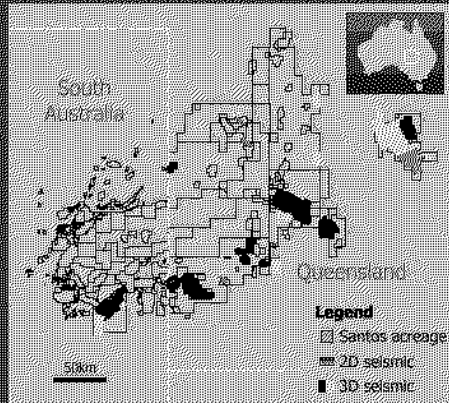
... technological developments continue to add reserves

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Exploiting 3D Seismic

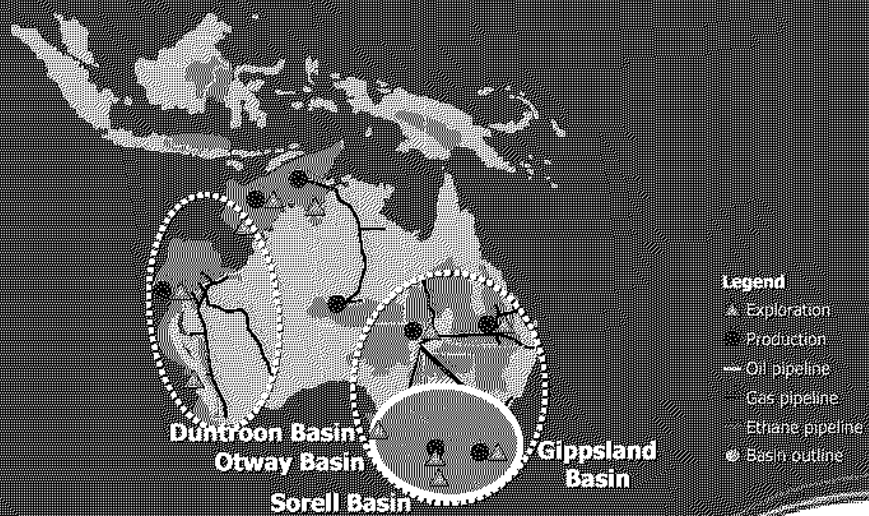
Large commitment since 2003 ...

- Nov 2003 - May 2005 seismic activity
 - 2,217 km² 3D acquired, \$27.9 million (gross) spent
- Nov 2005 - May 2006 seismic activity
 - 2,334 km² 3D, 356 km 2D seismic to be acquired



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Exploration in Core Areas – Southern Margins

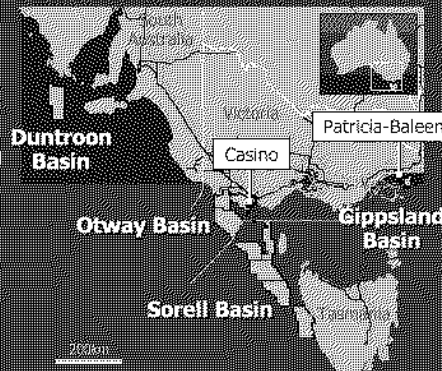


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Southern Margins Focus

Creating opportunities for Santos eastern Australia business ...

- **Otway** - Casino follow up
- **Sorell** - high risk, high reward deepwater portfolio
- **Gippsland** - Patricia-Baleen incremental value from infrastructure
- **Duntroon** - phased exploration approach to frontier area



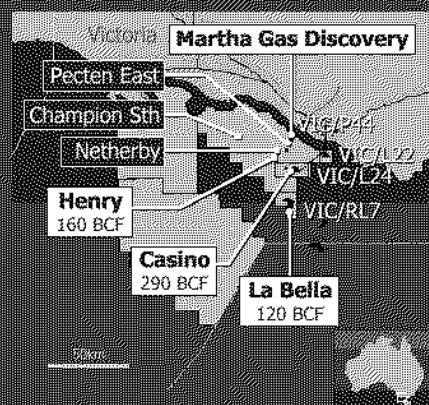
... strong position established

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Casino Creates Potential Otway Hub

Infrastructure provides competitive advantage ...

- 100% exploration success to date with 3 gas discoveries
- NFE tie back opportunities exist (1 Tcf)
- Otway hub provides a competitive advantage due to existing infrastructure

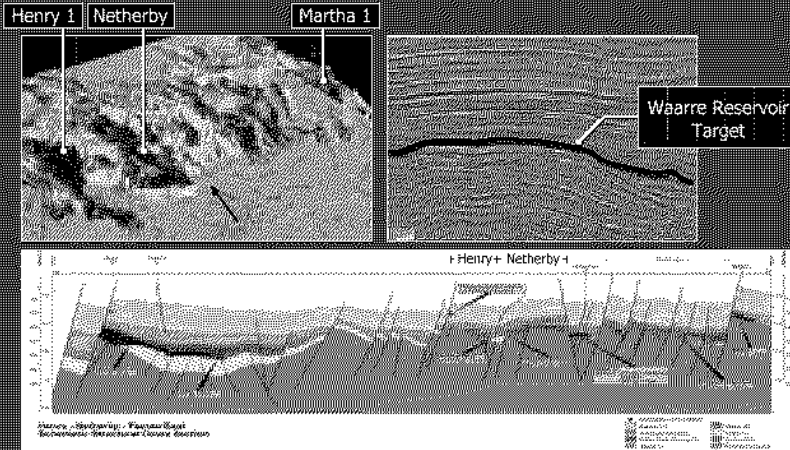


... 100% exploration success rate to date

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Netherby Prospect for 2006 Drilling

Attractive prospect for Casino follow up ...



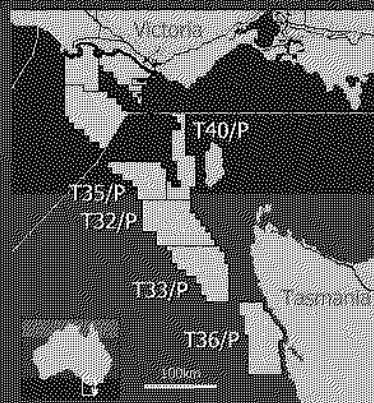
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Sorell Basin Frontier Exploration

High risk, high reward ...

- Potential for large gas
- Risk sharing by farm out being finalised
- Acreage position enhanced with T40/P award



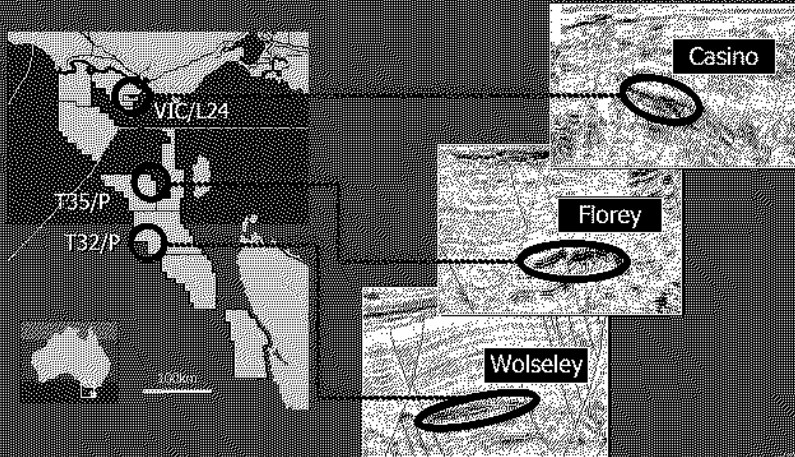
... active exploration plan in place

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Large Gas Prospect Potential

Seismic amplitudes support gas potential ...



... multiple prospects recognised

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Southern Margins Forward Plan

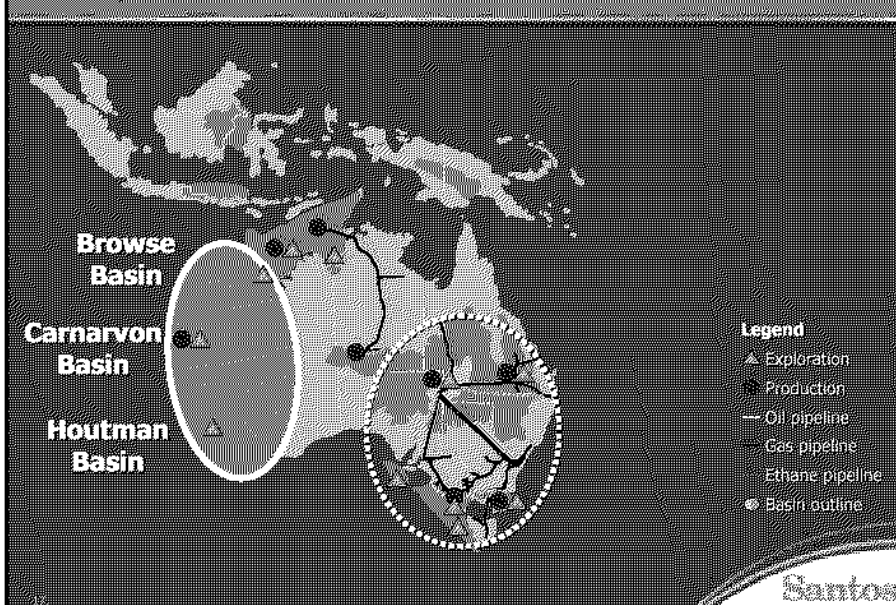
Southern margins are a key focus ...

- **Otway Basin**
 - Accelerate Casino production to maximise value
 - Drill up low risk prospects and secure additional gas markets
- **Sorell Basin**
 - 2006 2D seismic program to further delineate prospects ahead of drilling campaign
 - Drill large prospects commencing 2007
- **Gippsland Basin**
 - Maximize the value of the Patricia-Baleen infrastructure
 - Assessing farm in/out opportunities and exploration acreage

... strategies being successfully executed

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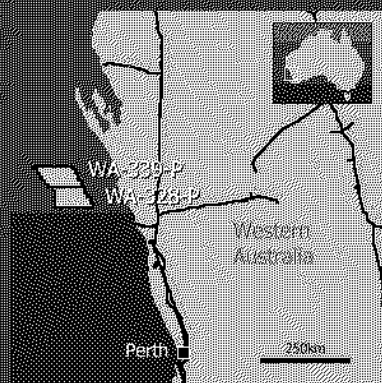
Exploration in Core Areas – Western Australia



Houtman Basin

Frontier basin ...

- Well to be drilled in 2007
- High grade acreage through continued regional assessment and play analysis
- Significant follow up in the event of success



... with large potential

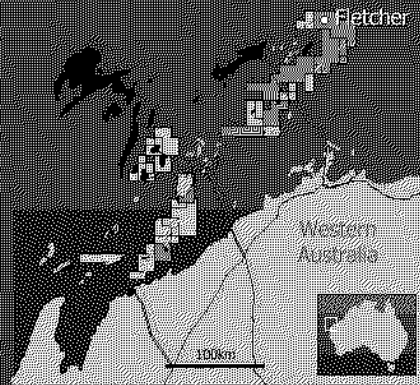
Carnarvon Basin

Chase for oil continues ...

- Targeting mostly high value oil opportunities
- Continued high grading of acreage through regional assessment and play analysis

Legend

- Santos acreage
- Santos acreage with drilling activity 2006



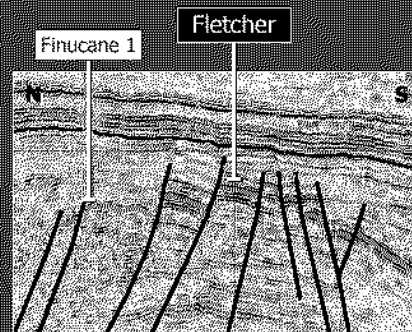
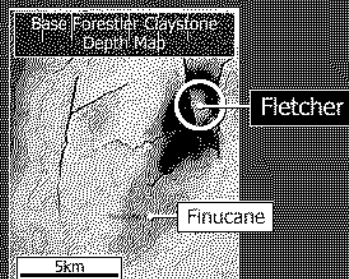
... high value opportunities, close to infrastructure

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Fletcher Prospect

Oil target for potential Mutineer tie back

- Santos 33.4%, WA-191-P
- Water depth 155 metres
- Legendre/Angel Formations primary objectives

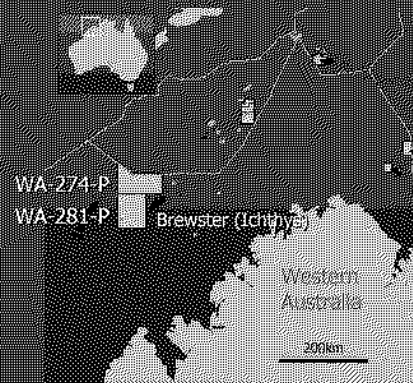


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Browse Basin Acreage

LNG strategic fit

- Mature a Brewster Sandstone wet gas play for drilling post 2006
- Continued regional assessment and play analysis with acreage high-grading around Brewster (Ichthys) field



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Exploration in Core Areas – Conclusion

High level of exploration activity

- Implementing seismic and drilling programs both onshore and offshore
- Proactively reviewing all near field opportunities
- High grading acreage
- Accessing new frontier areas

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Operations

Enhancing Existing Core Areas

Jon Young

Executive Vice President Operations

30 November 2005

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Operations Strategy

Deliver maximum value from producing oil & gas assets ...

Improve EHS Performance

- Operational integrity
- Management systems
- Behaviour and culture

Deliver Production

- Maximising the base
- Exploiting the position
- Streaming new projects

Operations

New Technology Benefits

- Reduced development costs
- Resource to reserve conversion
- Asset optimisation

Create Infrastructure Hubs

- Products
- Services
- Customer value add

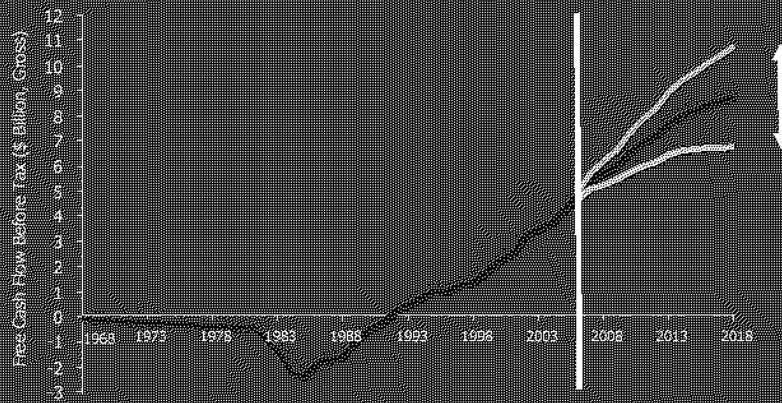
Cost Efficiencies

- Production costs
- Capital costs
- Infrastructure optimisation

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Deliver Maximum Value From Producing Oil & Gas Assets

Cooper Basin has generated over \$4 billion of cashflow to date ...



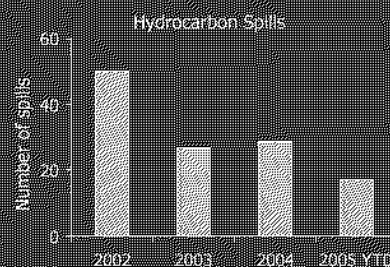
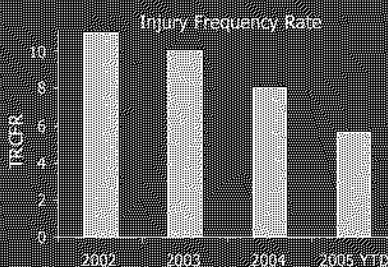
... with significant value remaining to be realised

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Environment, Health & Safety

Performance has improved by over 40% from 2002 ...

- Whole of Plant Risk Assessment
- Drug & alcohol testing
- DuPont & Shell reviews follow up



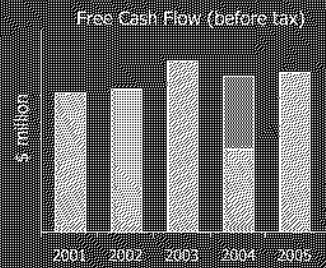
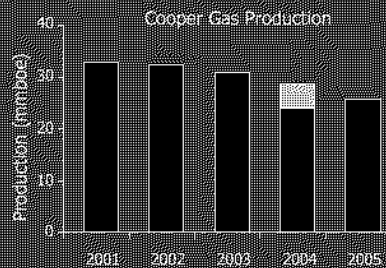
... with further improvement targeted

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Deliver Production – Maximising the Base

As forecast, Cooper gas continues to decline ...

- 2P reserves development
- Production optimisation
- Improved uptime
- Plant capacity management



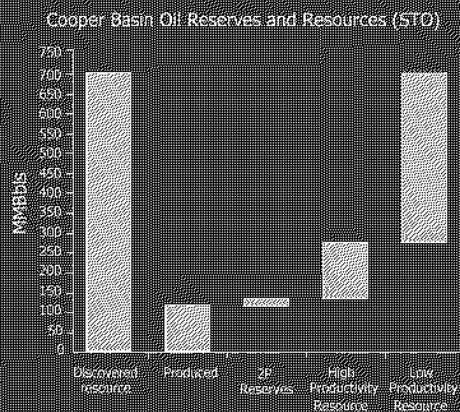
... whilst generating substantial free cash

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Deliver Production – Cooper Oil

The Cooper Basin has ~ 700 mmbbl of discovered oil resource

- Targeting shallow oil
- New technology applied to old basin
- North American analogues
- Price reduces program risk
- Capital of \$160 million in first well programme
- Further \$110 million contingent on success



... which represents a significant value option

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Deliver Production – Cooper Oil

Pilot programs have demonstrated potential...

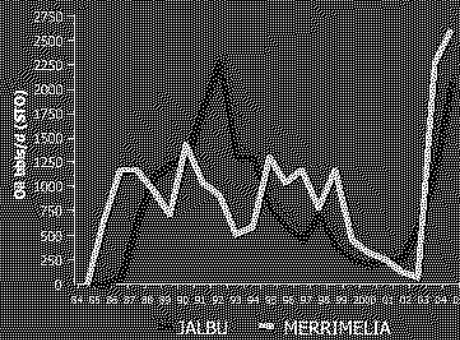
Proven technology

- 3D seismic
- Cased hole logging
- Batch fracture stimulation
- Glass Reinforced Epoxy lines
- Water flooding

New technology

- Automated light duty drilling rigs
- Pattern drilling
- Drilling with casing
- Modular facility design

JALBU and Merrimelia Pilot Programs

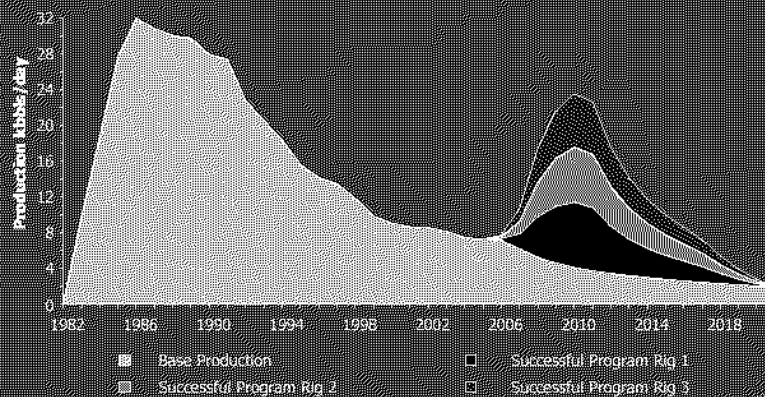


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Deliver Production – Cooper Oil

Conventional Cooper oil is a mature business ...

Cooper Basin Oil Production (STO)



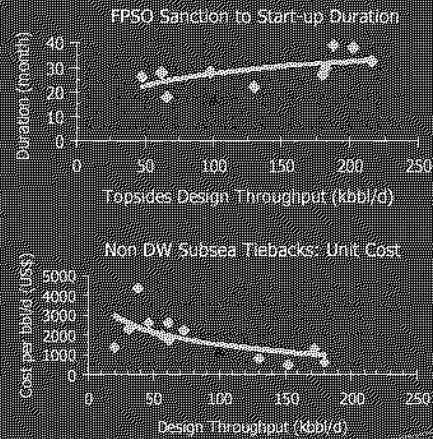
... program success will drive a significant increase in production

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Deliver Production – Benchmark Comparison

M-E was Santos' first offshore operated development ...

- Prior to M-E, no FPSO project had met its cost AND schedule AND operability objectives
- FPSO completed 10 months quicker than industry average and 3 months ahead of target
- Subsea infrastructure costs at or below industry average, with final costs 10% less than budget



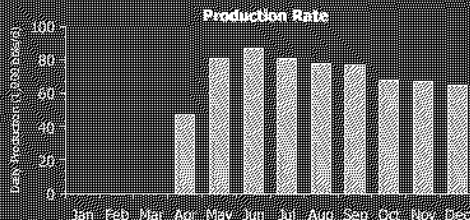
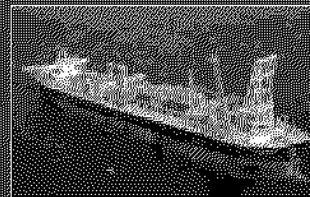
... and project delivery was world class

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Deliver Production – Mutineer Exeter Project

Mutineer-Exeter successfully on line ahead of schedule ...

- Santos 33.4%, operated
- ESP performance
- Water cut
- Cyclones
- Development drilling

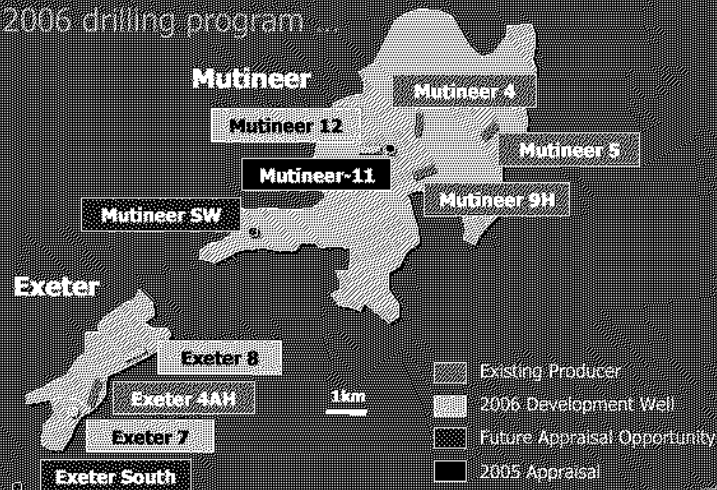


... and has performed well to date

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Deliver Production – Mutineer Exeter Project

Active 2006 drilling program ...



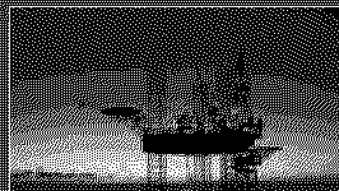
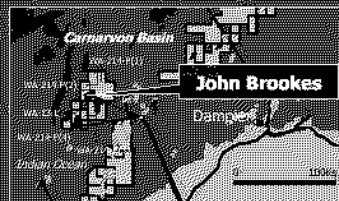
... to capture potential

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Deliver Production – John Brookes Project

John Brookes successfully commissioned in September...

- Santos 45%, Apache operated
- 2P Reserves 1182 bcf gross
- Development cost A\$0.25/mcf
- Cycle time 18 months
- Current rate ~ 150 mmscfd
- Second CO₂ train due year end



... additional capacity exists

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Deliver Production – John Brookes Appraisal

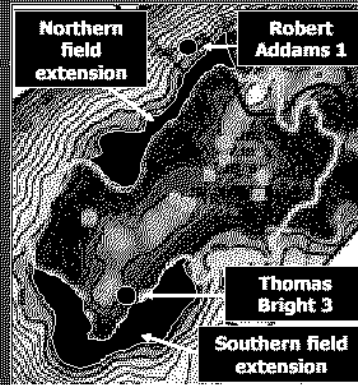
Successful appraisal in 2005 ...

Thomas Bright 3

- Exceeded pre-drill expectations
- Proved southern extension to field

Robert Addams 1

- In line with pre-drill expectations
- Proved northern extension to field
- Proved deeper horizon target



Post-2005 Appraisal P90

... creates potential

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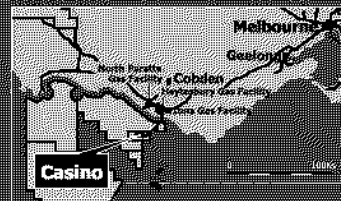
Deliver Production – Casino Gas Development

Reducing cycle times ...

- Santos 50%, operated
- 2P reserves 270 bcf
- Innovative gas sales agreement with TRUenergy
- Favourable development drilling results
- On track for 1Q 2006 start up

	1970	1980	1990	2000
Patricia Balcen				
Bass Gas				
Kipper				
Murruvra				
Geographic-Thylacine				
Casino				

Discovery to first gas



... through commercial innovation

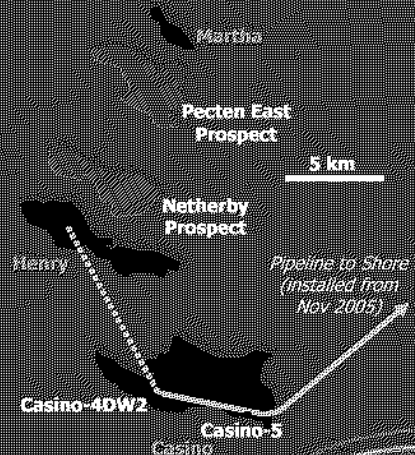
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Deliver Production – Henry Gas Discovery

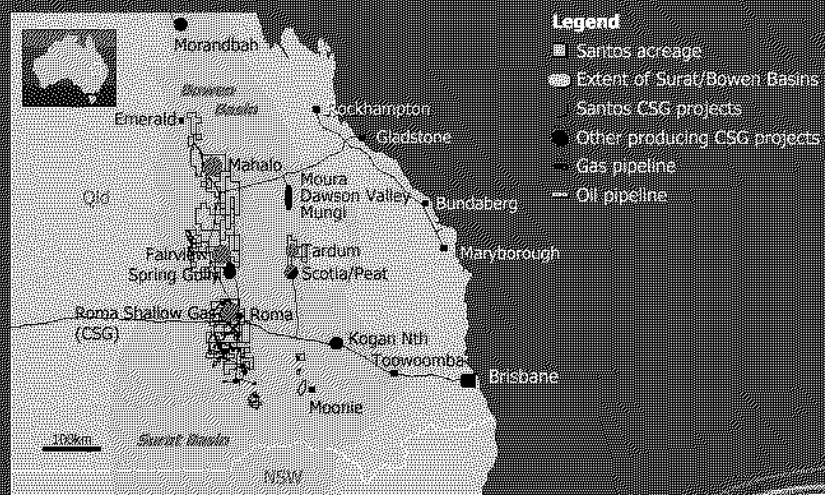
Potential future tie-in at Casino ...

- Pre-investment allows for up to 4 additional connections
- Henry likely to be the first tie-back to Casino

... building on the hub



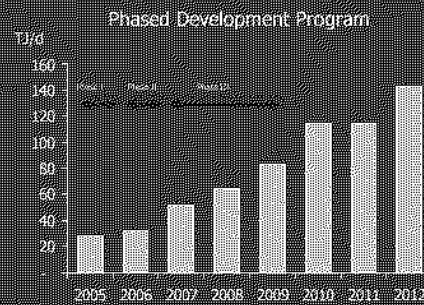
Deliver Production – Fairview CSG



Deliver Production – Fairview CSG

Fairview Coal Seam Gas represents a significant value option...

- Santos 75.25%
- Operating control from October 2005
- World class coal seam asset
- Full field development plan
- Gas contracting
- Cost management
- Exploration
- Capital \$94 million including pipeline



... with production to be ramped up

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Deliver Production – Production Profile

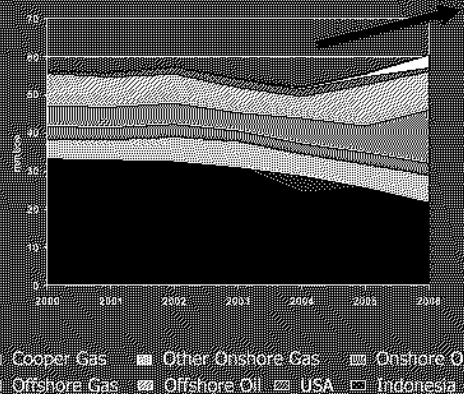
Production growth driven by new field commissioning ...

2005 – 55 mmboe

- Minerva
- Mutineer-Exeter
- John Brookes
- Fairview

2006 – 10% increase

- Bayu-Undan LNG
- Casino
- Oyong
- Maleo



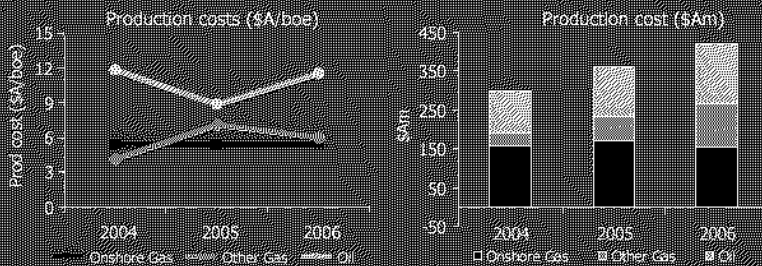
... delivering over 1/3 of 2006 production

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Cost Efficiencies – Production Costs

Onshore gas costs flat ...

- Supplier rationalisation
- Infrastructure capacity management
- Significant headcount reduction



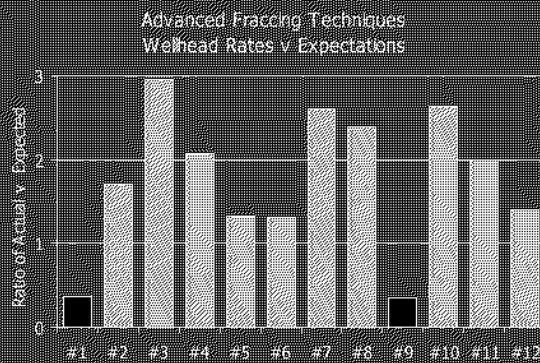
... with increases due to new field streaming

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New Technology Benefits – Reduced Development

A suite of new technologies are being progressed ...

- Through the drillbit
- Stimulation
- Enhanced recovery
- Surface facilities



... for cost effective exploitation

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Key Messages

Existing core areas provide both stability...

- Cooper Basin continues to deliver significant cash flow
- Cooper oil program to commercialise discovered resources
- New projects streamed successfully and integrated into core business
- Rapid commercialisation, development and integration of Fairview CSG
- Implementation of new technology enables full exploitation of existing assets

... and a platform for future growth

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Gas Commercialisation

Leveraging the Australian Gas Business

Rick Wilkinson

Vice President Gas Marketing and Commercialisation

30 November 2005

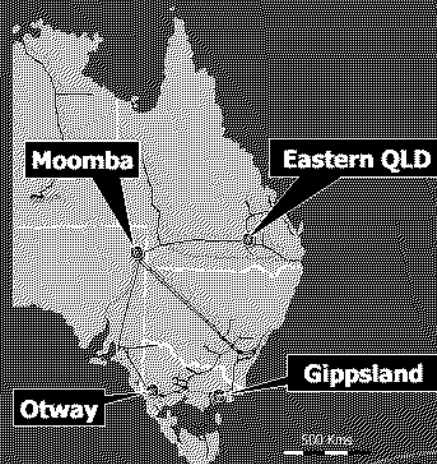
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Eastern Australian Gas Business

No longer "just" the Cooper Basin ...

- Largest domestic gas producer
- Largest contracted reserves position

(Source: AGL 2003)

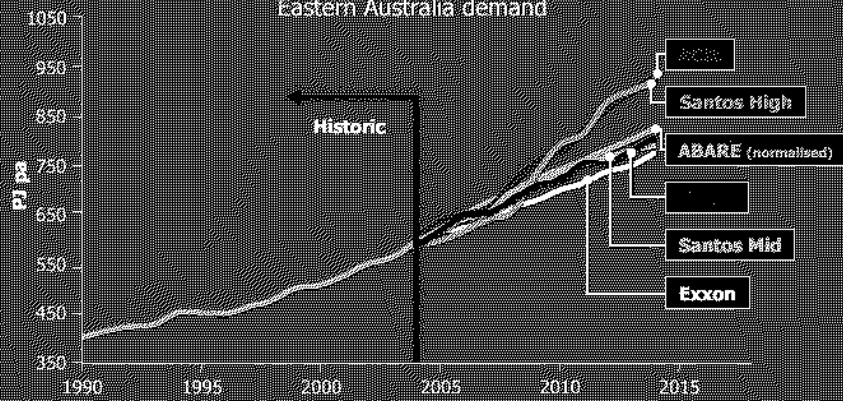


... but an integrated network of assets

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Gas Demand

Mid case gas demand growth is projected at 2.4% pa ...
Eastern Australia demand

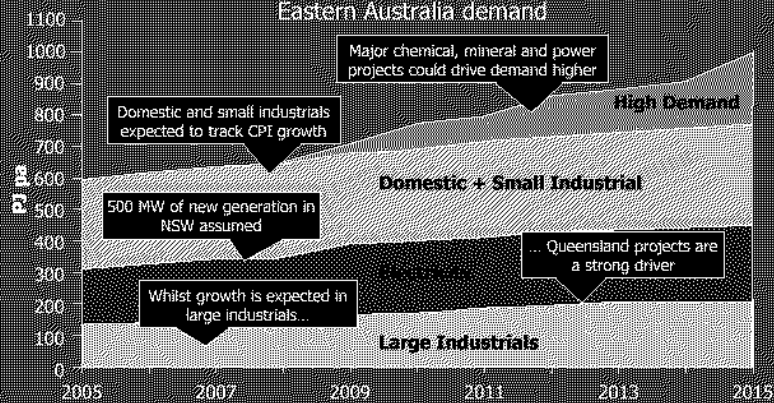


... no 'single' market forecast

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Gas Demand

Existing markets are driving demand growth ...
Eastern Australia demand

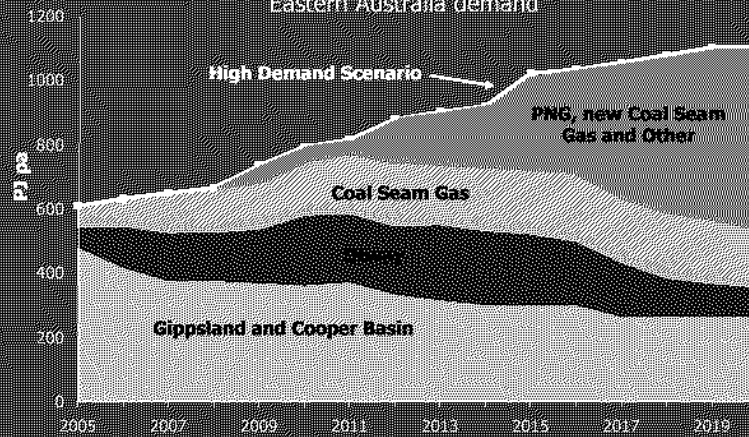


... with new demand from chemical, mineral and power projects

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Gas Supply

The timing of new gas supply may change ...
Eastern Australia demand

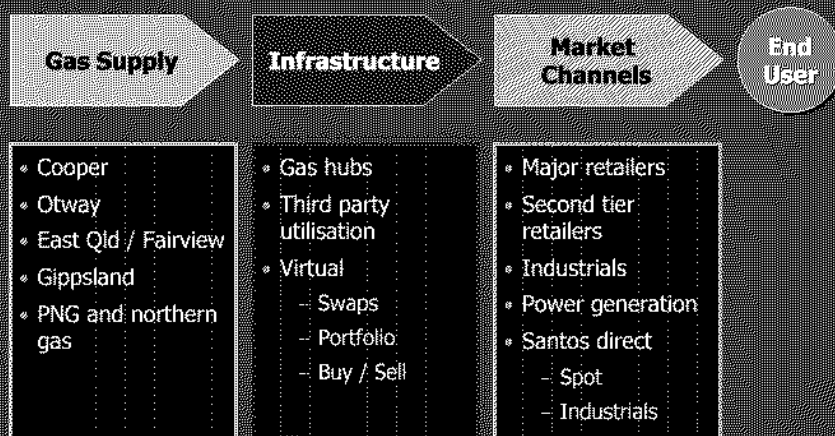


... depending on demand

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Santos Gas Strategy

Strategy to commercialise gas resources ...



... leveraging infrastructure and channels to market

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Santos Gas Strategy

Infrastructure and reserves footprint provides competitive advantage ...

- Geography no limitation
 - CSG to southern markets
- Portfolio supply
- Infrastructure accelerates new discoveries
 - Henry through Casino infrastructure
- Ethane supply to Qenos
 - Liquids value for gas



... placing Santos in a unique position

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Santos Gas Strategy

The gas strategy maintains a significant market position ...

Eastern Australia market share – high case

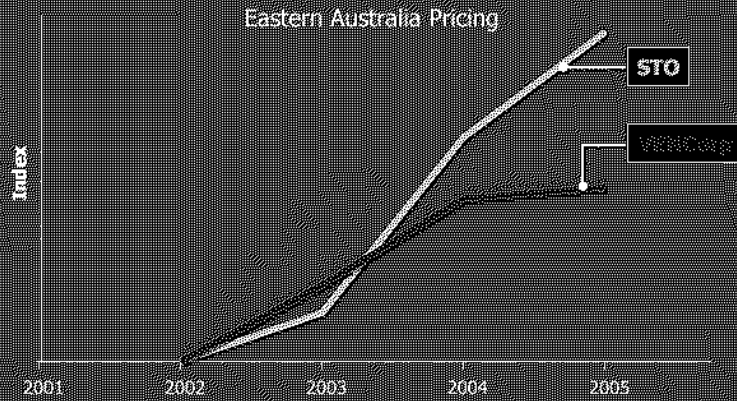


... even with the change in supply mix

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Eastern Gas Price

Flexible and niche marketing utilised ...

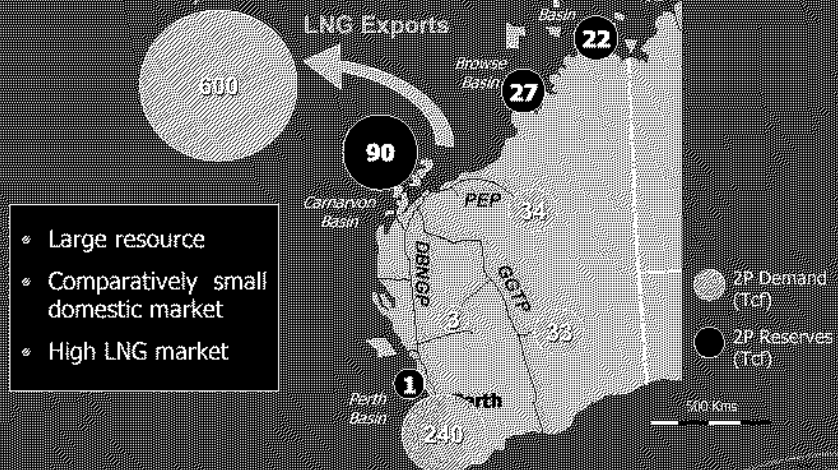


... to deliver favourable pricing outcomes

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Western Australia Supply and Demand

Dominated by LNG ...

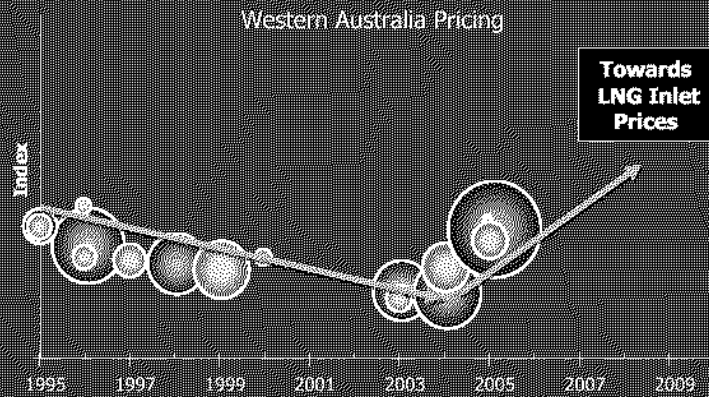


... with comparatively small domestic market

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Western Australia Gas Pricing

Domestic pricing is recovering after a decade of decline ...

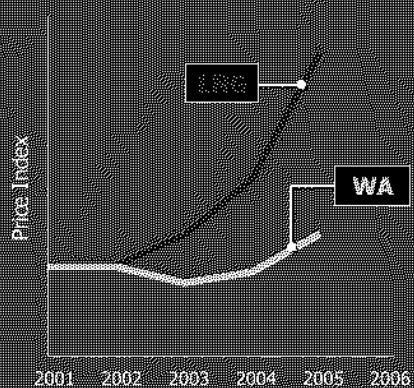


... but is still at the lowest levels in the OECD

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Western Australia Gas Pricing

- LNG prices continue to climb ahead of domestic prices
- Dry gas such as Gorgon is not carried by liquids
- Economic penalty for not exporting gas is increasing



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Australian Gas Business

Gas Supply Coverage

- Activities in all producing basins

Infrastructure Leverage

- Physical hubs operational
- Virtual hub opportunities

Channel Options

- Optionality with Santos Direct
- Relationships with new retailers, industrials and electricity generators

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