

Fourth Quarter Activities Report For period ending 31 December 2010

Santos
We have the energy.

20 January 2011

Comparative performance at a glance

Quarterly Comparison	Q4 2010	Q3 2010	Change
Production (mmboe)	12.8	12.9	-1%
Sales (mmboe)	15.2	15.4	-1%
Revenue (A\$ million)	601	535	+13%

Corresponding Period	Q4 2010	Q4 2009	Change
Production (mmboe)	12.8	13.6	-6%
Sales (mmboe)	15.2	15.5	-2%
Revenue (A\$ million)	601	600	+0%

Full Year Comparison	2010	2009	Change
Production (mmboe)	49.9	54.4	-8%
Sales (mmboe)	59.2	60.1	-1%
Revenue (A\$ million)	2,228	2,181	+2%

2010 production in line with guidance; sales revenue up 2%

- > 2010 production of 49.9 mmboe was within the company's guidance range of 49-52 mmboe. Sales revenue of \$2,228 million was 2% higher than 2009.
- > Cooper Basin gas and oil production increased compared to the third quarter, however the ongoing impact of wet weather continued to affect operations.
- > Quarterly natural gas, ethane and LNG production of 58.9 PJ was in line with the previous quarter. The average realised gas price in 2010 was \$4.31 per gigajoule, 5% higher than 2009.
- > Quarterly crude oil production was also in line with the previous quarter. The average realised oil price in 2010 was A\$87.35, 11% higher than 2009.
- > Rain and flooding across the Cooper Basin during 2010 reduced Santos' net production by about 3 mmboe for the full year. This was partially offset by stronger gas production from Indonesia and John Brookes.
- > Santos expects 2011 production to be in the range of 48-52 mmboe.

Key activities during the period

- > GLNG signed a binding agreement with KOGAS for 3.5 mtpa of LNG and KOGAS joined the GLNG partnership with a 15% stake. Santos sold 7.5% interests in GLNG to both Total and KOGAS. The GLNG partners announced the final investment decision on the 7.8 mtpa project on 13 January 2011.
- > Successful completion of a \$500 million institutional placement to fully fund the equity required for the GLNG project.
- > Wortel gas project in Indonesia sanctioned.
- > Successful Spar-2 appraisal well confirms Spar gas field upside offshore Western Australia.
- > Acquisition of Cairn Energy's interests in Bangladesh.

Santos Chief Executive Officer David Knox said the signing in December of the binding off-take agreement with KOGAS in addition to KOGAS also joining the GLNG partnership with a 15% stake and Santos completing the \$500 million institutional placement, paved the way for the final investment decision on GLNG in early January.

“The sanction of GLNG delivers on the strategic vision to transform Santos into a significant exporter of LNG.”

“While wet weather in the Cooper Basin and Queensland continued to affect the company’s operations, sales gas customer requirements were being met by a combination of existing production and gas withdrawal from storage,” Mr Knox said.

Mr Knox said that the additional flooding which had hit much of Queensland in recent weeks had had a devastating effect on much of the state. Though that flooding had not impacted Santos’ coal seam gas production, field construction and drilling activity were suspended to ensure continuing safe operations.

2010 Guidance

2010 production was in line with guidance. Production cost guidance has been reduced due to lower costs in the fourth quarter combined with favourable foreign exchange impacts on US\$ denominated production costs. Guidance on royalty related taxation expense is the latest estimate of forecast expense.

Item	2010	
	Previous Guidance	Updated Guidance
Production (mmboe)	49 – 52	49.9
Production costs (\$m)	560 – 580	530 – 550
Depreciation, Depletion & Amortisation (DD&A) expense (\$/boe)	11.70	12.00
Royalty related taxation expense (\$m after tax)	70 – 90	50 – 70
Capital expenditure (including exploration and evaluation) (\$m)	2,000	1,887

Further detail of 2010 capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 5 in this release.

Guidance on 2010 financial outcomes above is preliminary in nature and subject to finalisation. As such, the actual results for the 12 months to 31 December 2010 may differ from the guidance given in this update.

2011 Guidance

Santos expects 2011 production to be in the range of 48-52 mmboe.

Guidance on financial items will be provided with the full year results, expected to be released on 17 February 2011.

I. Sales & Production

	Quarter Ended			Full Year	
	Q4 2010	Q4 2009	Q3 2010	2010*	2009
Sales Gas, Ethane and LNG (PJ)					
Cooper Basin	18.5	19.1	17.0	66.6	79.9
Surat/Bowen/Denison	8.0	8.4	9.5	34.1	31.9
Amadeus	0.2	2.4	0.2	1.6	10.6
Otway/Gippsland	5.2	4.3	5.0	19.2	20.5
Carnarvon	11.2	11.7	12.4	47.7	43.5
Bonaparte	5.2	3.8	4.1	15.0	16.3
Indonesia	9.8	9.2	9.2	38.2	30.2
Bangladesh	0.8	1.1	0.8	3.8	5.7
Total Sales Gas, Ethane and LNG Production	58.9	60.0	58.2	226.2	238.6
Total Sales Volume (Own Product)	65.0	60.8	63.3	242.1	237.6
Total Sales Volume (Third Party)	5.1	7.3	10.6	35.6	30.6
Gas Price (Avg A\$/ GJ)	4.28	3.99	4.23	4.31	4.09
Total Sales Revenue (A\$m)	300.1	271.5	312.8	1196.9	1098.2
Condensate (000's bbls)					
Cooper Basin	222.4	269.0	271.7	945.8	1095.2
Surat/Denison	1.4	2.0	1.8	4.3	7.6
Amadeus	6.7	10.3	6.7	25.9	46.6
Otway	5.4	5.3	5.5	23.5	23.4
Carnarvon	110.5	117.9	123.6	474.4	435.5
Indonesia	0.0	0.0	2.9	3.8	0.0
Bonaparte	332.8	379.0	444.8	1367.0	1552.6
Bangladesh	0.0	0.3	0.1	0.4	0.9
Total Condensate Production	679.2	783.8	857.1	2845.1	3161.8
Total Sales Volume (Own Product)	850.5	898.5	762.1	2918.5	3496.5
Total Sales Volume (Third Party)	37.6	1.6	2.6	90.6	9.3
Condensate Price (Avg A\$/ bbl)	86.85	76.32	70.67	84.13	66.52
Condensate Price (Avg US\$/ bbl)	84.92	69.20	64.14	78.29	53.81
Total Sales Revenue (A\$m)	76.8	68.7	54.0	253.1	233.2
LPG (000 t)					
Cooper Basin	33.6	33.7	35.8	132.7	151.2
Surat/Denison	0.0	0.0	0.0	0.1	0.3
Bonaparte	19.1	22.3	24.3	77.7	88.6
Total LPG Production	52.7	56.0	60.1	210.5	240.1
Total Sales Volume (Own Product)	61.1	56.6	59.3	221.2	248.9
Total Sales Volume (Third Party)	0.7	1.2	0.7	3.3	3.7
LPG Price (Avg A\$/ t)	885.01	785.47	693.57	820.12	676.17
Total Sales Revenue (A\$m)	54.7	45.4	41.6	184.1	170.8
Crude Oil (000's bbls)					
Cooper Basin	711.6	879.9	627.4	2557.8	3598.4
Surat/Denison	30.1	16.2	20.4	84.1	62.5
Amadeus	24.1	16.6	23.1	86.3	106.3
Legendre	51.0	58.4	54.2	225.7	288.7
Thevenard	66.0	82.9	63.3	254.0	305.7
Barrow	138.8	145.9	138.9	561.1	573.5
Stag	237.3	406.9	357.7	1430.6	1643.9
Mutineer Exeter	162.5	260.5	126.1	572.6	995.0
Jabiru/Challis	2.1	21.0	23.3	83.0	105.9
Indonesia	120.8	139.6	144.9	578.8	560.3
SE Gobe	25.1	31.7	20.1	93.2	148.1
Total Crude Oil Production	1569.4	2059.6	1599.4	6527.2	8388.3
Total Sales Volume	1848.2	2510.2	1534.8	6797.5	8604.5
Oil Price (Avg A\$/ bbl)	91.88	85.37	82.73	87.35	78.83
Oil Price (Avg US\$/ bbl)	89.83	77.40	75.08	81.29	63.77
Total Sales Revenue (A\$m)	169.8	214.3	127.0	593.8	678.3
TOTAL					
Production (mmboe)	12.8	13.6	12.9	49.9	54.4
Sales Volume (mmboe) Own Product	14.3	14.3	13.6	53.0	54.8
Sales Volume (mmboe) Third Party	0.9	1.2	1.8	6.2	5.3
Sales Volume Total	15.2	15.5	15.4	59.2	60.1
Sales Revenue (A\$m)	601.4	599.9	535.4	2227.9	2180.5

* Preliminary and subject to audit.



Production by Area

Comparisons with prior 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 preceding table.

Cooper Basin

Wet weather continued to impact operations in the Cooper Basin with significant rain falling in the fourth quarter which continued the wet weather trend for 2010. The weather limited access to wells and field infrastructure and restricted development and work over activities. Production recovery efforts continued in areas where access was available. Rig drill schedules were optimised around field accessibility to ensure all rigs were operational.

Sales gas and ethane production of 18.5 petajoules (PJ) was 3% lower than Q4 2009 due to flooding although the sales impact was lower due to the withdrawal from underground storage in order to meet contracts. Condensate production of 0.2 mmbbl was 17% lower than Q4 2009.

Crude oil production of 0.7 million barrels was 13% higher than Q3 2010 due to recovery efforts continuing to focus on high rate wells.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 5.2 PJ was 21% higher than Q4 2009.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 8 PJ was in line with Q4 2009.

Amadeus Basin

Sales gas production of 0.2 PJ was lower than Q4 2009 due to gas contract expiration.

Carnarvon Basin

Gas production from the John Brookes field of 11.2 PJ was 4% lower than Q4 2009 due to gas contract expiration.

Mutineer-Exeter's production of 0.16 mmbbl was 29% higher than the previous quarter, in which the facility experienced periods of downtime due to maintenance on an electrical submersible pump (ESP).

Stag production of 0.24 mmbbl was 34% lower when compared to Q3 2010 due to downtime associated with well work over activity.

Bayu-Undan / Darwin LNG

Gross Bayu-Undan LNG production of 56.9 PJ was higher than Q4 2009. Santos' net entitlement production of 5.2PJ was higher than Q4 2009.

Gross Bayu-Undan condensate production of 5.4 mmbbl was in line with Q4 2009. Santos' net entitlement production of 0.33 mmbbl was 12% lower than Q4 2009.

Gross Bayu-Undan LPG production of 267,773 tonnes was lower than Q4 2009. Santos' net entitlement production of 19,100 tonnes was 14% lower than Q4 2009.

Indonesia

Sales gas production of 9.8 PJ was 7% higher than Q4 2009 due to increased production from Oyong and Maleo. Indonesian crude oil production of 0.12 mmbbl was 17% lower when compared to Q3 2010 due to a combination of down-time incurred for planned maintenance at the Oyong Field and natural field decline.

2. Capital Expenditure

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

	Quarter Ended			Full Year	
	Q4 2010	Q4 2009	Q3 2010	2010	2009
Capital Expenditure Summary (\$ million)					
Exploration	25.9	22.4	16.5	90.4	181.0
Evaluation including CSG	(6.6)	70.1	64.2	143.2	194.5
Development and Other PP&E	502.6	368.4	425.8	1,653.4	1,181.5
Total Capital Expenditure	521.9	460.9	506.5	1,887.0	1,557.0
Exploration and Evaluation Expensed Summary					
From current year expenditure					
- Exploration	11.1	15.5	30.1	75.0	143.5
- Evaluation	5.3	16.1	7.8	27.1	40.4
	16.4	31.6	37.9	102.1	183.9
Write-off of net amounts capitalised in prior years	17.3	20.7	1.9	26.7	18.3
Total Expensed	33.7	52.3	39.8	128.8	202.2

2010 capital expenditure data is preliminary and subject to audit. Evaluation expenditure in the fourth quarter of 2010 includes recoupment of current year evaluation expenditure relating to disposal of GLNG assets.

2.1 Exploration Activity

Well	Basin/ Area	Target	Santos %	Well Status
Zola-1	Carnarvon Basin	Gas	24.75	Drilling
Spar-2	Carnarvon Basin	Gas	45	C&C, successful gas

Zola-1, located in the offshore Carnarvon Basin, spudded on 1 December 2010. The well is currently drilling ahead to the primary Triassic Mungaroo target at 4,300 metres. Operations have been delayed by cyclone activity.

Spar-2, located offshore in the Carnarvon basin, spudded on 2 October 2010 and reached a total depth of 3,572 metres. The well successfully tested both the primary objective Upper Barrow gas reservoir and the Lower Barrow secondary objective before being cased and completed as a successful gas well.

2.2 Seismic Activity

No seismic was undertaken in the fourth quarter 2010.



2.3 Development Projects

Development expenditure during the fourth quarter of 2010 was A\$503 million. The status of the development projects which were in progress during the fourth quarter are as follows:

Reindeer Project (Santos 45%, Apache operator)

Reindeer was sanctioned in April 2008 and involves the development of an unmanned, minimum facility wellhead platform located in 65 metres of water from which gas will be exported to the Devil Creek processing plant, currently under construction, via a single 105 kilometre pipeline. The construction of the gas plant continues to progress with all modules now on location and placed. The overall project remains on schedule for first gas in the second half of 2011. Santos and Apache have entered into a Gas Sales and Purchase Agreement with Rio Tinto from Reindeer for a period of 7 years commencing in 2012. Rio Tinto will use the gas for its Western Australian iron ore operations.

Spar Project (Santos 45%, Apache operator)

The Spar project will involve the staged development of the Spar gas field, initially at the Halyard subsea well and followed by the tie-in of the Spar-2 well. The Halyard well is approximately 16 kilometres north-west of the existing East Spar facilities and has been drilled and completed. Gas from Halyard will be piped to East Spar via a new pipeline and then on to Varanus Island for processing. The project also includes upgrades to the John Brookes platform to allow control of the new Halyard and Spar wells. First gas from the Halyard well is scheduled for mid-2011. The Spar-2 well has been completed as a production well and will be tied in to the Halyard facilities – which have been designed for expansion – for eventual processing at Varanus Island. The Spar-2 well is located two kilometres from Halyard and is expected to be on line in 2012.

Chim Sáo Project (Santos 31.875%, Premier Oil operator)

Chim Sáo was sanctioned in December 2009 and is located in the Nam Con Son Basin, approximately 350 kilometres offshore southern Vietnam within Block 12W. Chim Sáo oil and associated gas will be produced via an unmanned, minimum facility wellhead platform located in approximately 100 metres of water. Liquids will be exported from the platform via FPSO and gas offtake will be connected to the existing Nam Con Son pipeline via approximately 100 kilometres of pipeline. The wellhead platform has been successfully installed. During the fourth quarter the development drilling program and conversion of the FPSO continued in accordance with the project schedule. First oil remains on schedule for the second half of 2011.

Wortel Project (Santos 45%, operator)

The Wortel project was approved for development late 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 well-head platform. Wortel gas production will then flow through the existing 60-kilometre pipeline to the onshore gas processing facility at Grati for processing and onward sale. Wortel gas will be sold to PT Indonesia Power under an agreement signed late November 2010. First gas is scheduled for the end of 2011.

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. Progress to date requires review of scope and schedule with the operator informing the joint venture that first gas will be deferred beyond previous expectation of the first half of 2012. At the end of 2010, drilling and completion of the Kipper wells was complete as was fabrication of the subsea equipment and umbilicals. The Gippsland Basin Joint Venture is undertaking a comprehensive review on the non-Kipper related facilities, including the installation of mercury removal facilities, as part of the integrated Kipper Tuna Turrum project. The scope and schedule for the works required to deliver Kipper gas is under review by the operator. Additional works will be conducted by the Gippsland Basin Joint Venture.

PNG LNG Project (Santos 13.5%, ExxonMobil operator)

Sanctioned in December 2009, the PNG LNG Project will develop the gas and condensate resources in the Hides, Angore and Juha fields and the 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 with a capacity of 6.6 mtpa, 25 kilometres northwest of Port Moresby on the coast of the Gulf of Papua. Construction continues for supporting infrastructure (roads, wharfs, air field, communications etc), at the LNG Plant and at the upstream locations, including the Hides Gas Conditioning Plant. Design and procurement work for the major EPC contracts is in progress. Survey work continues for the onshore and offshore pipelines and the first batch of line pipe was received in country. Construction work will continue to ramp up throughout the first half of 2011.

GLNG Project (Santos 30%*, upstream operator)

The GLNG partners announced the final investment decision on the 7.8 mtpa GLNG project on 13 January 2011. GLNG is a joint venture between Santos (30%) and three of the world's largest LNG companies, PETRONAS (27.5%), Total (27.5%) and KOGAS (15%)*. GLNG includes the development of coal seam gas (CSG) resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. First LNG exports are expected in 2015. GLNG has binding LNG sales agreements with PETRONAS and KOGAS for 7 mtpa in aggregate. Construction activity will ramp-up over 2011.

* Percentage interests reflect each party's interest in GLNG once the sale transactions with Total and KOGAS (announced on 17 December 2010) are completed.

3. Abbreviations & Conversion Factors

Abbreviations		Conversion Factors	
PJ	petajoules	Sales Gas & Ethane, 1 PJ	171.937 boe x 10 ³
TJ	terajoules	Crude Oil, 1 barrel	1 boe
mmbbl	million barrels	Condensate (Naphtha), 1 barrel	0.935 boe
mmboe	million barrels of oil equivalent	LPG, 1 tonne	8.458 boe
mtpa	million tonnes per annum	LNG, 1 PJ	18,040 t
t	tonnes		
P&A	plugged and abandoned		
C&S	cased and suspended		
C&C	cased and completed		
P&S	plugged and suspended		
CTU	coiled tubing unit		
WI	water injector		
CSG	coal seam gas		

4. Appendix

4.1 Evaluation & CSG Wells

The table below details of the wells drilled during the fourth quarter and their status:

Well	Basin/ Area	Target	Santos (%)	Well Status
Irtalie East 1	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Barta North 1	Cooper/Eromanga - QLD	Oil	45.0	C&S, successful oil
Cuisinier 2	Cooper/Eromanga- QLD	Oil	45.0	C&S, successful oil
Mount Kingsley 2	Bowen Basin	CSG	47.7	C&S, successful gas
Springwater 7	Bowen Basin	CSG	47.7	P&A, mechanical failure
Springwater 7A	Bowen Basin	CSG	47.7	Drilling
Mount Kingsley 3	Bowen Basin	CSG	47.7	C&S, successful gas
Mount Kingsley 4	Bowen Basin	Gas	47.7	C&S, successful gas
Mount Kingsley 5	Bowen Basin	CSG	47.7	C&S, successful gas
Springwater 6*	Bowen Basin	CSG core hole	47.7	P&A
Bridge Creek 2	Surat Basin	CSG	100	C&S, successful gas
Malabar 1	Surat Basin	CSG core hole	100	P&A
Jondale 1	Surat Basin	CSG core hole	100	P&A
Jondale 1A	Surat Basin	CSG core hole	100	P&A
Kahlua 4	Gunnedah Basin	CSG	25.0	C&S, successful gas
Kahlua 5	Gunnedah Basin	CSG	25.0	C&S, successful gas
Kahlua 3	Gunnedah Basin	CSG	25.0	C&S, successful gas
Kahlua 2	Gunnedah Basin	CSG	25.0	C&S, successful gas
Brigalow Park 2	Gunnedah Basin	CSG core hole	35.0	P&A
Culgoora 1A*	Gunnedah Basin	CSG core hole	35.0	P&A
Culgoora 2	Gunnedah Basin	CSG core hole	35.0	Drilling

* Spudded during third quarter

Santos previously reported a 100% interest in the Cuan 1 and Brawboy 2 wells in the Gunnedah Basin. Santos' interest in these wells is 15%.

4.2 Development Wells

The table below details all development wells drilled during the fourth quarter and their status:

Well	Basin/ Area	Target	Santos (%)	Well Status
Coonatie 18	Cooper/Eromanga - SA	Gas	72.32	C&S, successful gas
Strzelecki North East 1	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Tirrawarra 79	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Coonatie 14	Cooper/Eromanga - SA	Gas	72.32	C&S, successful gas
Tirrawarra 78	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Coonatie 15	Cooper/Eromanga - SA	Gas	72.32	Drilling
Cook 15	Cooper/Eromanga - QLD	Oil	55.0	C&S, successful oil
Cook 19	Cooper/Eromanga - QLD	Oil	55.0	C&S, successful oil
Stag 37H/ST1/ST2/BHC1	Carnarvon Basin	Oil	66.67	C&C, successful oil
Stag 36H/ST1/ST2	Carnarvon Basin	Oil	66.67	Drilling
Fairview 504	Bowen Basin	Gas	47.7	C&S, successful gas
Fairview 502	Bowen Basin	Gas	47.7	C&S, successful gas
Fairview 515	Bowen Basin	Gas	47.7	Suspended for further deepening
Fairview 514	Bowen Basin	Gas	47.7	C&S, successful gas
Gananny 1	Gunnedah Basin	Gas	100	Drilling
Chim São N2P*	Nam Con Son Basin	Oil	37.5	Drilling
Chim São N5I*	Nam Con Son Basin	Oil	37.5	Drilling
Chim São S7P*	Nam Con Son Basin	Oil	37.5	C&C, successful oil
Chim São S8P*	Nam Con Son Basin	Oil	37.5	C&S, successful oil
Chim São S10P*	Nam Con Son Basin	Oil	37.5	C&C, successful oil
Chim São S13I*	Nam Con Son Basin	Oil	37.5	Suspended
Chim São S14I*	Nam Con Son Basin	Oil	37.5	Drilling

* Spudded during third quarter.