

First Quarter Activities Report For period ending 31 March 2011



20 April 2011

Comparative performance at a glance

Corresponding Period	Q1 2011	Q1 2010	Change
Production (mmboe)	11.0	12.3	-11%
Sales (mmboe)	13.1	13.6	-4%
Revenue (A\$ million)	501	511	-2%

Quarterly Comparison	Q1 2011	Q4 2010	Change
Production (mmboe)	11.0	12.8	-14%
Sales (mmboe)	13.1	15.2	-14%
Revenue (A\$ million)	501	601	-17%

Adverse weather in Central and Western Australia affects first quarter production

- > Over the March quarter, adverse weather conditions in Central and Western Australia affected Santos' operations. As a result, production of 11 million barrels of oil equivalent (mmboe) was 11% lower than the corresponding period.
- > Almost double the average rainfall was received at Moomba in the March quarter. This, combined with local floods, negatively impacted Cooper Basin production and drilling operations.
- > Production and drilling activities offshore Western Australia were interrupted on five occasions due to three cyclones and two tropical lows.
- > The adverse weather experienced in the March quarter will result in an estimated 2 mmboe (net to Santos) of production being deferred from 2011.
- > Production guidance for 2011 is reduced to 47 to 50 mmboe.

Key activities during the period

- > The US\$16 billion, 7.8 million tonne per annum GLNG project in Queensland was sanctioned; first LNG exports scheduled for 2015.
- > A significant gas discovery at the Zola-1 exploration well, located in the Carnarvon Basin offshore Western Australia. The well intersected more than 100 metres of net pay in a good quality reservoir.
- > Year-end 2P (proved and probable) reserves increased to 1,445 mmboe, representing a reserves replacement ratio of 110% and the company's seventh successive annual increase in its reserves.
- > The first of three new purpose-built Saxon drilling rigs started operating in the Cooper Basin.
- > Pre-FEED contracts awarded for Bonaparte LNG to Granherne (upstream) and DORIS Engineering (midstream).
- > Four growth projects in the base business (Chim São, Spar, Reindeer and Wortel) are progressing well and remain on schedule for first production this year.

Santos Chief Executive Officer David Knox said heavy rainfall and flood events across the Cooper Basin had limited access to field infrastructure and negatively impacted drilling activity during the quarter.

“We are continuing to bring oil and gas wells back online despite the ongoing wet conditions in the Cooper Basin. Gas supplies to our customers have been maintained through the use of gas storage facilities. Provided rainfall returns to normal levels then we expect operations to continue to recover over several months.”

Mr Knox said the formal sanction of the GLNG project in January confirmed Santos as a major energy supplier to the growing economies of Asia.

“The commitment that Santos and its partners have made delivers on Santos’ strategic vision to become a significant exporter of LNG,” Mr Knox said.

2011 Guidance

The adverse weather conditions experienced in the March quarter will result in an estimated 2 mmboe (net to Santos) of production being deferred from 2011.

Production guidance for 2011 is reduced to 47 to 50 mmboe, with a corresponding impact on DD&A per barrel. All other 2011 guidance is unchanged.

Item	2011	
	Previous guidance	Updated guidance
Production (mmboe)	48-52	47-50
Production costs (\$m)	550-590	No change
Depreciation, depletion & amortisation (DD&A) expense (\$/boe)	12	12-13
Royalty related taxation expense (\$m after tax)	80-100	No change
Capital expenditure (including exploration and evaluation) (\$m)	3,000	No change

Royalty related taxation expense guidance assumes an oil price of A\$90 per barrel. Capital expenditure guidance includes \$2 billion for LNG projects, \$400 million for other sanctioned growth projects (Reindeer, Spar, Chim São, Wortel & Kipper) and \$150 million for conventional exploration.

Further detail of 2011 year to date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 6 of this release.

I. Sales & Production

	Quarter Ended			Full Year
	Q1 2011	Q1 2010	Q4 2010	2010
Sales Gas, Ethane and LNG (PJ)				
Cooper Basin	14.8	15.3	18.5	66.6
Surat/Bowen/Denison	3.7	3.8	3.5	14.5
GLNG	2.4	4.8	4.5	19.6
Amadeus	0.2	0.9	0.2	1.6
Otway/Gippsland	4.3	3.9	5.2	19.2
Carnarvon	10.3	12.4	11.2	47.7
Bonaparte	3.7	3.6	5.2	15.0
Indonesia	10.0	9.7	9.8	38.2
Bangladesh	0.7	1.0	0.8	3.8
Total Sales Gas, Ethane and LNG Production	50.1	55.4	58.9	226.2
Total Sales Volume (Own Product)	50.2	55.2	65.0	242.1
Total Sales Volume (Third Party)	13.7	8.8	5.1	35.6
Gas Price (Avg A\$/ GJ)	4.20	4.35	4.28	4.31
Total Sales Revenue (A\$m)	268.6	278.6	300.1	1196.9
Condensate (000's bbls)				
Cooper Basin	233.6	218.9	222.4	945.8
Surat/Denison	0.9	0.4	1.4	4.3
Amadeus	5.9	3.1	6.7	25.9
Otway	4.3	9.2	5.4	23.5
Carnarvon	98.1	124.1	110.5	474.4
Indonesia	1.6	0.9	0.0	3.8
Bonaparte	337.8	365.3	332.8	1367.0
Bangladesh	0.2	0.3	0.0	0.4
Total Condensate Production	682.4	722.2	679.2	2845.1
Total Sales Volume (Own Product)	581.8	754.7	850.5	2918.5
Total Sales Volume (Third Party)	44.4	1.6	37.6	90.6
Condensate Price (Avg A\$/ bbl)	116.86	84.53	86.48	84.13
Condensate Price (Avg US\$/ bbl)	117.85	76.60	84.55	78.29
Total Sales Revenue (A\$m)	73.2	63.9	76.8	253.1
LPG (000 t)				
Cooper Basin	28.4	32.8	33.6	132.7
Surat/Denison	0.0	0.0	0.0	0.1
Bonaparte	19.2	21.4	19.1	77.7
Total LPG Production	47.6	54.2	52.7	210.5
Total Sales Volume (Own Product)	41.6	58.3	61.1	221.2
Total Sales Volume (Third Party)	0.6	1.0	0.7	3.3
LPG Price (Avg A\$/ t)	860.12	832.71	885.01	820.12
Total Sales Revenue (A\$m)	36.3	49.4	54.7	184.1
Crude Oil (000's bbls)				
Cooper Basin	635.8	596.4	711.6	2557.8
Surat/Denison	26.3	15.6	30.1	84.1
Amadeus	20.5	23.7	24.1	86.3
Thevenard	47.3	56.8	66.0	254.0
Barrow	108.2	142.5	138.8	561.1
Stag	345.2	404.3	237.3	1430.6
Mutineer Exeter	54.2	123.0	162.5	572.6
Indonesia	111.3	153.3	120.8	578.8
SE Gobe	21.4	23.2	25.1	93.2
Other ¹	0.0	90.7	53.1	308.7
Total Crude Oil Production	1370.2	1629.5	1569.4	6527.2
Total Sales Volume	1114.0	1433.2	1848.2	6797.5
Oil Price (Avg A\$/ bbl)	110.70	83.32	91.88	87.35
Oil Price (Avg US\$/ bbl)	111.64	75.50	89.83	81.29
Total Sales Revenue (A\$m)	123.3	119.4	169.8	593.8
TOTAL				
Production (mmboe)	11.0	12.3	12.8	49.9
Sales Volume (mmboe) Own Product	10.7	12.1	14.3	53.0
Sales Volume (mmboe) Third Party	2.4	1.5	0.9	6.2
Sales Volume Total	13.1	13.6	15.2	59.2
Sales Revenue (A\$m)	501.4	511.3	601.4	2227.9

Note 1: Jabiru, Challis and Legendre ceased production in 2010.

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 preceding table.

Cooper Basin

Abnormal rainfalls continued in the first quarter of 2011, with rainfall of 138mm (compared to the average 77mm) resulting in deferred production.

Sales gas and ethane production of 14.8 petajoules (PJ) was 3% lower than Q1 2010 primarily due to the wet weather impacting both reporting periods.

Crude oil production of 0.6 million barrels (mmbbls) was 11% lower than Q4 2010 because of limited access to field infrastructure.

Condensate production of 0.2 mmbbl was 7% higher than Q1 2010 mainly due to a different production mix.



Flooding near the Merrimelia Oil field, Cooper Basin - March 2011.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 3.7 PJ was in line with Q1 2010.

GLNG

Sales gas production of 2.4 PJ was 50% lower than Q1 2010 due to Santos' interest in GLNG reducing from 60% in Q1 2010 to 30% in Q1 2011 following the sale of interests in the project to Total and KOGAS.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 4.3 PJ was 10% higher than Q1 2010 primarily due to shutdowns at the Iona plant in the corresponding period.

Amadeus Basin

Sales gas production of 0.2 PJ was lower than Q1 2010 due to gas contract expiration.

Carnarvon Basin

Gas production from the John Brookes field of 10.3 PJ was 17% lower than Q1 2010 due to cyclone activity and lower customer nominations.

Mutineer-Exeter production of 0.05 mmbbl was 67% lower than the previous quarter due to unplanned FPSO repairs in January and February.

Stag production of 0.35 mmbbl was 46% higher when compared to Q4 2010 due to the completion of two new development wells following a drilling campaign during Q4 2010.

Bayu-Undan / Darwin LNG

Q1 2011 volumes were impacted by tropical cyclone activity.

Gross Bayu-Undan gas production of 50.9 PJ was 16% higher than Q1 2010. Santos' net entitlement production of 3.7 PJ was marginally higher than Q1 2010.

Gross Bayu-Undan condensate production of 5.4 mmbbl was in line with Q1 2010. Santos' net entitlement production of 0.34 mmbbl was 8% lower than Q1 2010.

Gross Bayu-Undan LPG production of 257,708 tonnes was 10% lower than Q1 2010. Santos' net entitlement production of 19,214 tonnes was 10% lower than Q1 2010.

Indonesia

Sales gas production of 10 PJ was 3% higher than Q1 2010 due to temporary high gas demand from Maleo. Indonesian crude oil production of 0.11 mmbbl was 8% lower when compared to Q4 2010 mainly due to Oyong oil field natural decline.

2. Capital Expenditure

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

	Quarter Ended		
	Q1 2011	Q1 2010	Q4 2010
Capital Expenditure Summary (\$ million)			
Exploration	30	14	26
Evaluation including CSG	16	35	(6)
Development and other PP&E	629	335	497
Total Capital Expenditure	675	383	517
Exploration and Evaluation Expensed Summary			
From current year expenditure			
- Exploration	8	15	11
- Evaluation	6	7	5
	14	22	16
Write-off of net amounts capitalised in prior years	-	(0)	17
Total Expensed	14	22	34

2.1 Exploration Activity

Well	Basin/ Area	Target	Santos %	Well Status
Zola-1	Carnarvon Basin	Gas	24.75	Gas discovery

Zola-1, located in the offshore Carnarvon Basin in Western Australia, reached a total depth of 4,877 metres on 10 April 2011. The well intersected over 100 metres of net gas pay sands over a 400 metre gross interval in the primary target formation. Wireline logging has now been completed and the well is currently being plugged and abandoned as planned. For more information refer to ASX release of 4 April 2011.

2.2 Seismic Activity

Permit	Area/ Basin	Survey	Type	km/ km ²	Status
PL10/PL11/ATP336P	Bowen Basin	Gunbar 2D	2D land	46.58	Ongoing

2.3 Development Projects

Development expenditure during the first quarter of 2011 was A\$629 million. The status of development projects during the first 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 fourth quarter of 2011.

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 has completed 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 for eventual processing at Varanus Island. The Spar-2 well is located two kilometres from Halyard and is expected to be online 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, 100-kilometre Nam Con Son pipeline. During the first quarter the development drilling program and conversion of the FPSO continued in accordance with the project schedule. Drilling is now complete on six wells of the planned 15-well development. 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. The tender and procurement stage for the platform fabrication works is being progressed. 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 subsea 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 first quarter, the coolers and manifold have been prepared for installation (scheduled for Q2 2011). The operator has informed the joint venture that first gas will be deferred beyond previous expectation of the first half of 2012. This is the result of the Gippsland Basin Joint Venture's comprehensive review of the non-Kipper related facilities, including the installation of mercury removal facilities. The scope and schedule for these works is under review by the operator, and 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 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. First LNG exports are expected in 2014. PNG LNG recently celebrated a milestone when the first foundation was poured for the LNG plant. Construction continues for supporting infrastructure (roads, wharfs, camps, airfield, communications etc) at the plant and at upstream locations, including the Hides gas conditioning plant. Design and procurement work for the major EPC contracts is in progress. Survey work for the onshore and offshore pipelines, and delivery of the line-pipe, is continuing. Construction work will continue to ramp up throughout 2011.

GLNG project (Santos 30%, upstream operator)

The GLNG partners announced the final investment decision (FID) on the 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 seven mtpa in aggregate.

Following FID, GLNG moved quickly into the execution phase. Highlights in the first quarter included:

- > No EHS incidents.
- > All critical path permits for access to Curtis Island and mainland sites at Gladstone delivered in accordance with project schedule. Work is underway on mainland and Curtis Island sites.
- > More than \$500 million worth of contracts issued by Bechtel (LNG plant contractor) to Australian contractors (Golding, McMahons, John Holland and Transit Systems).
- > Notice to proceed issued to Saipem (gas transmission pipeline contractor) who have since commenced mobilisation and preliminary survey of the 420 kilometre pipeline route.
- > Notice to proceed issued to Fluor (upstream surface facilities contractor) who have begun detailed engineering work.
- > Marine crossing line-pipe fabrication completed and being shipped.
- > Completion by Santos of the sale of 7.5% interests in GLNG to both Total and KOGAS, as announced on 17 December 2010.



Early construction works at the GLNG logistics facility, Gladstone harbour.

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 first quarter and their status.

Well	Basin/ Area	Target	Santos (%)	Well Status
Cook 16	Cooper/Eromanga – QLD	Oil	55.0	C&S, successful oil
Cook 17	Cooper/Eromanga – QLD	Oil	55.0	C&S, successful oil
Cuisinier 3	Cooper/Eromanga – QLD	Oil	45.0	C&S, successful oil
Scotia 33	Bowen Basin	CSG	45.0	P&A
Springwater 7A*	Bowen Basin	CSG	47.7	Drilling
Springwater 4	Bowen Basin	CSG corehole	47.7	Junked & abandoned
Springwater 4A	Bowen Basin	CSG corehole	47.7	C&S, successful gas
Waddy Brae 1	Bowen Basin	CSG corehole	47.7	Drilling
Willala 1	Gunnedah Basin	CSG corehole	35.0	P&A
Cana 1	Gunnedah Basin	CSG Corehole	100	P&A
Strathmore 2ST1	Gunnedah Basin	CSG corehole	35.0	P&A
Culgoora 2*	Gunnedah Basin	CSG corehole	35.0	Drilling

* Spudded during fourth quarter.

4.2 Development Wells

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

Well	Basin/ Area	Target	Santos (%)	Well Status
Cook 18	Cooper/Eromanga – QLD	Oil	55.0	C&S, successful oil
Tirrawarra 80	Cooper/Eromanga – SA	Gas	66.6	C&S, successful gas
Kidman North 4	Cooper/Eromanga – SA	Gas	66.6	C&S, successful gas
Coonatie 15*	Cooper/Eromanga – SA	Gas	72.32	C&S, successful gas
Gananny 1	Gunnedah Basin	CSG	100	C&S, successful gas
Pickinjinnie 28	Surat basin	CSG	60.0	C&S, successful gas
Mount Hope 6	Surat basin	CSG	60.0	C&S, successful gas
Raslie 13	Surat basin	CSG	30.0	C&S, successful gas
Hermitage 17	Surat Basin	CSG	30.0	C&S, successful gas
Bridge Creek 3	Surat Basin	CSG	35.78	C&S, successful gas
Bridge Creek 4	Surat Basin	CSG	100	C&S, successful gas
Fairview 515	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 517	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 519	Bowen Basin	CSG	35.78	C&S, successful gas
Fairview 520	Bowen Basin	CSG	35.78	Drilling
Fairview 523	Bowen Basin	CSG	47.7	Drilling
Fairview 529	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 167ST1	Bowen Basin	CSG	47.7	C&S, successful gas
Stag 36H/ST1/ST2*	Carnarvon Basin	Oil	66.67	C&S, successful oil
Chim São S6P#	Nam Con Son Basin	Oil	31.875	Drilling
Chim São N5I#	Nam Con Son Basin	Oil	31.875	C&S, Injector
Chim São S12I#	Nam Con Son Basin	Oil	31.875	C&S, Injector
Chim São N3P#	Nam Con Son Basin	Oil	31.875	Drilling
Chim São S6P#	Nam Con Son Basin	Oil	31.875	Drilling

Spudded during third quarter.

* Spudded during fourth quarter.