

Third Quarter Activities Report

For period ending 30 September 2010

21 October 2010

Comparative performance at a glance


Quarterly Comparison	Q3 2010	Q2 2010	Change
Production (mmboe)	12.9	11.9	+ 9%
Sales Volume (mmboe)	15.4	14.9	+ 3%
Revenue (A\$ million)	535	580	-8%
Corresponding Period	Q3 2010	Q3 2009	Change
Production (mmboe)	12.9	14.1	-9%
Sales Volume (mmboe)	15.4	15.6	-1%
Revenue (A\$ million)	535	557	-4%
YTD Comparison	2010	2009	Change
Production (mmboe)	37.1	40.8	-9%
Sales Volume (mmboe)	44.0	44.6	-1%
Revenue (A\$ million)	1,627	1,581	+ 3%

Production up 9% on previous quarter; flood recovery continues

- > All Cooper Basin drilling rigs are back to full operation, although wet weather and floods continue to affect activities and production.
- > Natural gas, ethane and LNG production of 58 PJ was down 6% on the corresponding quarter due to continued Cooper Basin interruptions, partially offset by stronger Indonesian and Fairview production.
- > Crude oil production was 7% lower than the second quarter 2010 primarily due to well work over activity at Stag.
- > 2010 production guidance of 49 to 52 mmboe is maintained.

Key activities during the period

- > Total bought a 20% stake in the GLNG project – 15% from Santos for A\$650 million and 5% from PETRONAS. FIRB approval has been obtained by Total for the acquisition of its interest in the GLNG project.
- > GLNG secures 5 million tonnes per annum of binding offtake with PETRONAS and Total.
- > Significant progress on Santos' GLNG funding plan with the execution of a A\$2 billion bilateral bank loan facility and A\$1.4 billion hybrid with 100% equity credit from Standard & Poor's.
- > Halyard gas field offshore Western Australia approved for development.



Santos Chief Executive Officer David Knox said bringing Total into GLNG was another significant milestone for the project.

“The GLNG project continued to make solid progress in the third quarter. We brought Total on board and secured 5 million tonnes per annum of binding offtake agreements that will underpin the development of two trains. We’re very pleased to welcome Total and their substantial technical and management expertise on major LNG projects.”

“GLNG continues to progress discussions with a number of Asian LNG buyers in relation to further potential LNG sales and equity in the project.”

Mr Knox said that the wet weather in the Cooper Basin continued to affect production and provide a number of operational challenges.

“Although production in the Cooper has been affected by the elements, we’re continuing to see stronger production from Indonesia and the Fairview field in eastern Queensland, which is pleasing.”

2010 Guidance

Production guidance is maintained at 49 to 52 mmboe for 2010. Capital expenditure guidance has been lowered primarily due to timing of expenditures on the GLNG project. All other guidance is maintained.

Item	2010	
	Previous Guidance	Updated Guidance
Production (mmboe)	49 – 52	No change
Production costs (\$m)	560 – 580	No change
Depreciation, Depletion & Amortisation (DD&A) expense (\$/boe)	11.70	No change
Royalty related taxation expense (\$m after tax)	70 – 90	No change
Capital expenditure (including exploration and evaluation) (\$m)	2,300	2,000

Capital expenditure guidance includes A\$150 million for conventional exploration which is consistent with prior guidance. Further detail of year-to-date capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 5 in this release.

Royalty related taxation expense guidance assumes an average realised oil price of A\$90 per barrel.

I. Sales & Production

	Quarter Ended			YTD		Full Year
	Q3 2010	Q3 2009	Q2 2010	2010	2009	2009
Sales Gas, Ethane and LNG (PJ)						
Cooper Basin	17.0	20.9	15.8	48.1	60.8	79.9
Surat/Bowen/Denison	9.5	7.8	8.0	26.1	23.5	31.9
Amadeus	0.2	2.6	0.3	1.4	8.2	10.6
Otway/Gippsland	5.0	5.2	5.2	14.1	16.2	20.5
Carnarvon	12.4	13.5	11.6	36.4	31.8	43.5
Bonaparte	4.1	4.1	2.0	9.7	12.5	16.3
Indonesia	9.2	6.6	9.6	28.5	21.0	30.2
Bangladesh	0.8	1.3	1.2	3.0	4.5	5.7
Total Sales Gas, Ethane and LNG Production	58.2	62.0	53.7	167.3	178.6	238.6
Total Sales Volume (Own Product)	63.3	64.3	58.5	177.0	176.8	237.6
Total Sales Volume (Third Party)	10.6	7.0	11.2	30.5	23.3	30.6
Gas Price (Avg A\$/ GJ)	4.23	4.03	4.38	4.32	4.13	4.09
Total Sales Revenue (A\$m)	312.8	287.1	305.4	896.8	826.7	1098.2
Condensate (000's bbls)						
Cooper Basin	271.7	248.7	232.0	722.6	826.3	1095.2
Surat/Denison	1.8	0.0	0.7	2.9	5.6	7.6
Amadeus	6.7	11.5	9.4	19.2	36.3	46.6
Otway	5.5	6.0	3.4	18.1	18.1	23.4
Carnarvon	123.6	136.2	115.4	363.1	317.6	435.5
Indonesia	2.9	0.0	1.6	5.4	0.0	0.0
Bonaparte	444.8	386.7	224.1	1034.2	1173.7	1552.6
Bangladesh	0.1	0.2	0.1	0.5	0.6	0.9
Total Condensate Production	857.1	789.3	586.7	2166.0	2378.2	3161.8
Total Sales Volume (Own Product)	762.1	1015.9	551.2	2068.0	2598.0	3496.5
Total Sales Volume (Third Party)	2.6	2.7	48.8	52.9	7.7	9.3
Condensate Price (Avg A\$/ bbl)	70.67	72.48	97.33	83.15	63.13	66.52
Condensate Price (Avg US\$/ bbl)	64.14	60.16	85.99	74.96	48.29	53.81
Total Sales Revenue (A\$m)	54.0	73.8	58.4	176.3	164.5	233.2
LPG (000 t)						
Cooper Basin	35.8	39.5	30.5	99.1	117.6	151.2
Surat/Denison	0.0	0.0	0.1	0.1	0.2	0.3
Bonaparte	24.3	21.8	12.9	58.6	66.3	88.6
Total LPG Production	60.1	61.3	43.5	157.8	184.1	240.1
Total Sales Volume (Own Product)	59.3	59.5	42.5	160.1	192.3	248.9
Total Sales Volume (Third Party)	0.7	0.6	0.9	2.6	2.5	3.7
LPG Price (Avg A\$/ t)	693.57	671.78	885.50	795.49	643.74	676.17
Total Sales Revenue (A\$m)	41.6	40.4	38.4	129.4	125.4	170.8
Crude Oil (000's bbls)						
Cooper Basin	627.4	852.9	622.4	1846.2	2718.4	3598.4
Surat/Denison	20.4	15.8	18.0	54.0	46.3	62.5
Amadeus	23.1	31.7	15.3	62.2	89.7	106.3
Legendre	54.2	79.7	61.0	174.8	230.3	288.7
Thevenard	63.3	75.5	67.9	188.0	222.8	305.7
Barrow	138.9	148.5	140.9	422.3	427.6	573.5
Stag	357.7	444.1	431.3	1193.3	1237.0	1643.9
Mutineer Exeter	126.1	344.7	161.0	410.1	734.5	995.0
Jabiru/Challis	23.3	28.2	26.5	80.9	84.9	105.9
Indonesia	144.9	116.9	159.8	458.0	420.7	560.3
SE Gobe	20.1	33.3	24.7	68.0	116.4	148.1
Total Crude Oil Production	1599.4	2171.3	1728.8	4957.8	6328.6	8388.3
Total Sales Volume	1534.8	1882.8	1981.2	4949.3	6094.3	8604.5
Oil Price (Avg A\$/ bbl)	82.73	82.52	89.64	85.67	76.13	78.83
Oil Price (Avg US\$/ bbl)	75.08	68.49	79.28	77.23	58.23	63.77
Total Sales Revenue (A\$m)	127.0	155.3	177.6	424.0	464.0	678.3
TOTAL						
Production (mmboe)	12.9	14.1	11.9	37.1	40.8	54.4
Sales Volume (mmboe) Own Product	13.6	14.4	12.9	38.7	40.6	54.8
Sales Volume (mmboe) Third Party	1.8	1.2	2.0	5.3	4.0	5.3
Sales Volume Total	15.4	15.6	14.9	44.0	44.6	60.1
Sales Revenue (A\$m)	535.4	556.6	579.8	1626.5	1580.6	2180.5



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 and floods continued to affect Cooper Basin activities and hydrocarbon production in the third quarter. Access to wells and field infrastructure impeded production recovery and while development and work-over activities continue to be restricted, all rigs are back in full operation.

Sales gas and ethane production of 17 petajoules (PJ) was 18% lower than Q3 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 0.3 mmbbl was 9% higher than Q3 2009.

Crude oil production of 0.6 million barrels was in line with Q2 2010 due to ongoing recovery from wet weather and flood impacts.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 5 PJ was in line with Q3 2009.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 9.5 PJ was 22% higher when compared with Q3 2009 due to increased field deliverability.

Amadeus Basin

Sales gas production of 0.2 PJ was lower than Q3 2009 due to gas contract expiration.

Carnarvon Basin

Gas production from the John Brookes field of 12.4 PJ was 8% lower than Q3 2009 due to gas contract expiration.

Mutineer-Exeter's production of 0.13 mmbbl was 22% lower when compared to Q2 2010 as the field was shut in for extended periods due to electrical submersible pump (ESP) failure.

Stag production of 0.36 mmbbl was 17% lower when compared to Q2 2010 due to downtime associated with well work over activity.

Bayu-Undan / Darwin LNG

Gross Bayu-Undan LNG production of 926,745 tonnes (51 PJ) was in line with Q3 2009. Santos' net entitlement production of 73,967 tonnes (4.1 PJ) was also in line with Q3 2009.

Gross Bayu-Undan condensate production of 5.8 mmbbl was in line with Q3 2009. Santos' net entitlement production of 0.45 mmbbl was 15% higher than Q3 2009.

Gross Bayu-Undan LPG production of 294,701 tonnes was in line with Q3 2009. Santos' net entitlement production of 24,300 tonnes was 11% higher than Q3 2009.

Indonesia

Sales gas production of 9.2 PJ was 39% higher than Q3 2009 due to the start up of Oyong Phase 2 at the end of the third quarter 2009 combined with higher production from Maleo. Indonesian crude oil production of 0.15 mmbbl was 9% lower when compared to Q2 2010 due to natural field decline.

2. Capital Expenditure

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

	Quarter Ended			Year to Date	
	Q3 2010	Q3 2009	Q2 2010	2010	2009
Capital Expenditure Summary (A\$ million)					
Exploration	16.5	36.0	34.5	64.5	158.6
Evaluation including CSG	64.2	46.0	50.9	149.8	124.5
Development and Other PP&E	425.8	250.0	390.3	1,150.8	813.0
Total Capital Expenditure	506.5	332.0	475.7	1,365.1	1,096.1
Exploration and Evaluation Expensed Summary					
From current year expenditure					
- Exploration	30.1	28.0	18.8	63.9	128.0
- Evaluation	7.8	18.2	6.6	21.8	24.4
	37.9	46.2	25.4	85.7	152.4
Write-off of net amounts capitalised in prior years	1.9	-	7.7	9.4	-
Total Expensed	39.8	46.2	33.1	95.1	152.4

2.1 Exploration Activity

Well	Basin/ Area	Target	Santos %	Well Status
Pancang-1	Kutei Basin	Oil	20	P&A
Spar-2	Carnarvon Basin	Gas	45	Drilling

Pancang-1, located in the Popodi PSC in the Kutei Basin, Indonesia, spudded on 2 June 2010 and drilled through the Eocene objective without shows. The well reached a total depth of 13,692 feet and was plugged and abandoned on 3 August 2010.

Spar-2, located offshore in the Carnarvon basin, spudded on 2 October 2010. The well is currently drilling ahead at 3,290 metres with a programmed total depth of 3,645 metres. The well has successfully drilled through the primary objective Upper Barrow gas reservoir and is drilling ahead to the Lower Barrow secondary objective before being cased and completed.

2.2 Seismic Activity

Seismic activity during the third quarter is shown in the table below:

Permit	Area/ Basin	Survey	Type	Km/ Km ²	Status
ATP299P	Eromanga	Tintaburra	3D land	11	Completed
PEL462	Gunnedah	Windurong	2D land	93	Completed



2.3 Development Projects

Development expenditure during the third quarter of 2010 was A\$426 million. The status of the development projects which were in progress during the third 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 offshore shallow pipeline installation commenced this month and is scheduled to be completed as planned. The overall project remains on schedule for first gas in the second half of 2011.

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. During the third quarter the development drilling program continued in accordance with the project schedule and the wellhead and platform topsides were completed. The conversion of the FPSO is proceeding to plan. First oil remains on target for the second half of 2011.

Halyard/Spar (Santos 45%, Apache operator)

The Halyard/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. Santos sold 55% of its working interest in the WA-4-R permit to Apache in August 2010. 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 will also include upgrades to the John Brookes platform to allow control of the new Halyard and Spar wells. First gas is scheduled for mid-2011. Pending appraisal results, Spar-2 is planned to be 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.

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 is near completion as planned at the end of the third quarter. Fabrication of the Kipper subsea equipment is nearing completion and the flowbases and trees have been installed. The Gippsland Basin Joint Venture is completing a comprehensive design review on the non-Kipper related facilities of the integrated Kipper Tuna Turrum project. While potential design modifications are being finalised, it is anticipated there will be some schedule impacts, with first Kipper gas now expected in the first half of 2012.

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, 20 kilometres northwest of Port Moresby on the coast of the Gulf of Papua. Early works construction commenced prior to sanction and continues at the upstream locations and for supporting infrastructure (roads, wharfs, communications etc). Design and procurement work for the major EPC contracts is in progress. Site preparation work has commenced at the LNG Plant location. Construction work will continue to ramp up throughout the second half of 2010.

GLNG® Project (Santos 45%*, upstream operator)

GLNG is a transformational project for Santos and involves the production of LNG using coal seam gas sourced from Santos' gas fields in the Bowen and Surat Basins. GLNG is progressing towards a final investment decision in 2010 with first LNG in 2014. The design contemplates an initial two-train development with capacity of 7.2 mtpa of LNG.

Progress during Q3 2010 included:

- > In September, Santos announced the sale of a 15% stake in GLNG to France's Total for A\$650 million. PETRONAS sold Total an additional 5% stake. Upon completion of the Total sale transactions, GLNG's ownership structure will be: Santos 45%; PETRONAS 35%; Total 20%.
- > GLNG agreed to sell 1.5 mtpa of LNG to Total for a period of 20 years commencing in 2014, with 1 mtpa of contracted volumes to be delivered from train one and 0.5 mtpa from train two.
- > GLNG agreed to sell 3.5 mtpa of LNG to PETRONAS for a period of 20 years commencing in 2014, with 2.3 mtpa of contracted volumes to be delivered from train one and 1.2 mtpa from train two.
- > GLNG completed the largest set of Aboriginal agreements in Australia's resources history, with 42 agreements covering land use, native title and cultural heritage.

* Santos will have a 45% interest in GLNG upon completion of the Total sale transactions.

3. Hedging

There was no hedging outstanding at the end of third quarter 2010.

4. 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		

5. Appendix

5.1 Evaluation & CSG Wells

Total evaluation expenditure in the third quarter of 2010 was A\$64 million, comprising near-field exploration, CSG and exploration appraisal expenditure. The table below details of the wells drilled during the third quarter and their status:

Well	Basin/ Area	Target	Santos (%)	Well Status
Stag 34#	Carnarvon Basin	Oil	66.67	P&A, successful oil appraisal
Stag 35#	Carnarvon Basin	Oil	66.67	P&A, successful oil appraisal
Watson West 1	Cooper/Eromanga – QLD	Oil	55.5	C&S, successful oil
Nockatunga North 1	Cooper/Eromanga – QLD	Oil	100	C&S, successful oil & gas
Bungawarra 2	Bowen Basin	CSG	47.7	C&S, successful gas
Bungawarra 3	Bowen Basin	CSG	47.7	Suspended
Kia Ora West 3	Bowen Basin	CSG	50.0	C&S, successful gas
Kia Ora West 4	Bowen Basin	CSG	50.0	C&S, successful gas
Moonah 1	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Strathblane Creek 1	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Javel 2ST1	Bowen Basin	CSG core hole	60.0	P&A
Springwater 6	Bowen Basin	CSG core hole	47.7	Drilling
Dilly 1	Gunnedah Basin	CSG core hole	35.0	P&A
Ellendale 1	Gunnedah Basin	CSG core hole	35.0	P&A
Turill 1	Gunnedah Basin	CSG core hole	100	P&A
Culgoora 1	Gunnedah Basin	CSG core hole	35.0	P&A
Culgoora 1A	Gunnedah Basin	CSG core hole	35.0	Drilling
Baradine Creek 1*	Gunnedah Basin	CSG core hole	35.0	P&A
Cuan 1*	Gunnedah Basin	CSG core hole	100	P&A

* Spudded during second quarter.

Well cost included in development expenditure.

5.2 Development Wells

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

Well	Basin/ Area	Target	Santos (%)	Well Status
Dilkera 3	Cooper/Eromanga – QLD	Oil	100	C&S, successful oil
Coonatie 19*	Cooper/Eromanga – SA	Gas	72.32	C&S, successful gas
Coonatie 20	Cooper/Eromanga – SA	Gas	72.32	C&S, successful gas
Pickanjinie 26	Surat Basin	Gas	60.0	C&S, successful gas
Pickanjinie 27	Surat Basin	Gas	60.0	C&S, successful gas
Pine Ridge 24	Surat Basin	Gas	60.0	C&S, successful gas
Pine Ridge 23	Surat Basin	Gas	60.0	C&S, successful gas
Fairview 338	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 338DW1	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 501	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 503	Bowen Basin	CSG	47.7	P&A, mechanical failure
Fairview 505	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 507	Bowen Basin	CSG	47.7	C&S, successful gas
Chim Sáo N2P	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo N5I	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S7P	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S8P	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S10P	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S12I	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S13I	Nam Con Son Basin	Oil	37.5	Drilling
Chim Sáo S14I	Nam Con Son Basin	Oil	37.5	Drilling

* Spudded during second quarter.