

Second Quarter Activities Report

For period ending 30 June 2010

22 July 2010

Comparative performance at a glance

Quarterly Comparison	Q2 2010	Q1 2010	Change %
Production (mmboe)	11.9	12.3	-3%
Sales Volume (mmboe)	14.9	13.6	+10%
Revenue (A\$ million)	580	511	+13%

Corresponding Period	Q2 2010	Q2 2009	Change %
Production (mmboe)	11.9	13.4	-11%
Sales Volume (mmboe)	14.9	14.6	+2%
Revenue (A\$ million)	580	484	+20%

YTD comparison	2010	2009	Change %
Production (mmboe)	24.2	26.7	-9%
Sales Volume (mmboe)	28.5	29.0	-2%
Revenue (A\$ million)	1,091	1,024	+7%

Central Australia flood recovery underway, planned Darwin LNG shutdown completed

- > Major wet weather and flood events continued to significantly impact Cooper Basin activities in the June quarter, however recovery is well underway and all drilling rigs are now back in operation.
- > Quarterly natural gas, ethane and LNG production of 54 PJ was 9% lower than the corresponding period primarily due to lower Cooper Basin production and a planned shutdown at Darwin LNG, partially offset by stronger production from John Brookes and Indonesia.
- > Crude oil production was 6% higher than the March 2010 quarter as Cooper Basin production continued to recover from the flood events.
- > The Bayu-Undan/Darwin LNG facilities successfully completed a planned 35-day full field shutdown during the June quarter.
- > 2010 production guidance of 49 to 52 mmboe is maintained.
- > 2010 Cooper Basin gas sales revenue is not expected to be materially impacted by the flooding as customer deliveries are being met from a combination of current production and gas from storage.

Key activities during the period

- > GLNG became Australia's first major coal seam gas to LNG project to receive its environmental approval from the Queensland government.
- > Fluor appointed as preferred contractor to carry out Engineering, Procurement and Construction (EPC) of the upstream facilities component of the GLNG project.
- > New gas sales agreement with Wesfarmers for the supply of 60 PJ of John Brookes gas over five years commencing in the second half of 2010.
- > Santos executed a A\$2 billion bilateral bank loan facility. The new facility will be used to refinance Santos' existing A\$700 million in undrawn bilateral bank facilities that mature between 2011 and 2013.

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Santos Chief Executive Officer David Knox said that whilst recovery from the flooding in Central Australia was well underway and all drilling rigs were back in full operation, the company's operations in the Cooper Basin would continue to be impacted for several months.

"Gas and liquids production from the Cooper Basin improved in the June quarter and will continue to increase in the coming months as recovery from the flood events continues."

"The GLNG project continues to make significant progress towards a final investment decision later in 2010. Engineering design works are nearing completion and environmental approval has been received from the Queensland government."

"GLNG remains in detailed discussions with a number of parties in relation to potential LNG sales, equity in the project and collaboration between projects," Mr Knox said.

2010 Guidance

Production guidance is maintained at 49 to 52 mmbœ for 2010. Production cost guidance has been increased primarily due to higher production from John Brookes and flood related impacts in Central Australia. Royalty related taxation expense guidance is the latest assessment of forecast expense. Capital expenditure guidance has been lowered primarily due to timing of expenditures on the GLNG project.

Item	2010	
	Previous Guidance	Updated Guidance
Production (mmbœ)	49 – 52	No change
Production costs (\$m)	540 - 560	560 - 580
Depreciation, Depletion & Amortisation (DD&A) expense (\$/boe)	11.70	No change
Royalty related taxation expense (\$m after tax)	90 - 110	70 - 90
Capital expenditure (including exploration and evaluation) (\$m)	2,600	2,300

Capital expenditure guidance includes \$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
	Q2 2010	Q2 2009	Q1 2010	2010	2009	2009
Sales Gas, Ethane and LNG (PJ)						
Cooper Basin	15.8	<i>20.1</i>	<i>15.3</i>	31.1	<i>39.9</i>	79.9
Surat/Bowen/Denison	8.0	8.4	8.6	16.6	15.7	31.9
Amadeus	0.3	2.9	0.9	1.2	5.6	10.6
Otway/Gippsland	5.2	5.4	3.9	9.1	11.0	20.5
Carnarvon	11.6	9.6	12.4	24.0	18.3	43.5
Bonaparte	2.0	4.0	3.6	5.6	8.4	16.3
Indonesia	9.6	7.1	9.7	19.3	14.4	30.2
Bangladesh	1.2	1.5	1.0	2.2	3.2	5.7
Total Sales Gas, Ethane and LNG Production	53.7	<i>58.8</i>	<i>55.4</i>	109.1	<i>116.6</i>	238.6
Total Sales Volume (Own Product)	58.5	58.9	55.2	113.7	112.6	237.6
Total Sales Volume (Third Party)	11.2	8.1	8.8	20.0	16.3	30.6
Gas Price (Avg A\$/GJ)	4.38	3.90	4.35	4.37	4.19	4.09
Total Sales Revenue (A\$m)	305.4	261.1	278.6	584.0	539.6	1098.2
Condensate (000's bbls)						
Cooper Basin	232.0	<i>295.1</i>	218.9	450.9	<i>577.6</i>	1095.2
Surat/Denison	0.7	2.8	0.4	1.1	5.6	7.6
Amadeus	9.4	12.9	3.1	12.5	24.8	46.6
Otway	3.4	6.1	9.2	12.6	12.1	23.4
Carnarvon	115.4	97.0	124.1	239.5	181.4	435.5
Indonesia	1.6	0.0	0.9	2.5	0.0	0.0
Bonaparte	224.1	367.5	365.3	589.4	786.9	1552.6
Bangladesh	0.1	0.2	0.3	0.4	0.4	0.9
Total Condensate Production	586.7	<i>781.6</i>	722.2	1308.9	<i>1588.8</i>	3161.8
Total Sales Volume (Own Product)	551.2	663.8	754.7	1305.9	1582.1	3496.5
Total Sales Volume (Third Party)	48.8	2.7	1.6	50.4	5.0	9.3
Condensate Price (Avg A\$/bbl)	97.33	59.62	84.53	90.18	57.08	66.52
Condensate Price (Avg US\$/bbl)	85.99	44.90	76.60	81.01	40.86	53.81
Total Sales Revenue (A\$m)	58.4	39.7	63.9	122.3	90.7	233.2
LPG (000 t)						
Cooper Basin	30.5	<i>39.7</i>	32.8	63.3	<i>78.0</i>	151.2
Surat/Denison	0.1	0.2	0.0	0.1	0.4	0.3
Bonaparte	12.9	20.6	21.4	34.3	44.5	88.6
Total LPG Production	43.5	<i>60.5</i>	54.2	97.7	<i>122.9</i>	240.1
Total Sales Volume (Own Product)	42.5	57.9	58.3	100.8	132.8	248.9
Total Sales Volume (Third Party)	0.9	0.9	1.0	1.9	1.9	3.7
LPG Price (Avg A\$/t)	885.50	555.05	832.71	854.97	626.48	676.17
Total Sales Revenue (A\$m)	38.4	32.6	49.4	87.8	85.0	170.8
Crude Oil (000's bbls)						
Cooper Basin	622.4	<i>934.3</i>	596.4	1218.8	<i>1865.6</i>	3598.4
Surat/Denison	18.0	14.3	15.6	33.6	30.5	62.5
Amadeus	15.3	30.0	23.7	39.0	58.0	106.3
Legendre	61.0	79.7	59.6	120.6	150.6	288.7
Thevenard	67.9	80.6	56.8	124.7	147.3	305.7
Barrow	140.9	144.5	142.5	283.4	279.2	573.5
Stag	431.3	437.9	404.3	835.6	792.9	1643.9
Mutineer Exeter	161.0	66.4	123.0	284.0	389.8	995.0
Jabiru/Challis	26.5	28.5	31.1	57.6	56.7	105.9
Indonesia	159.8	127.1	153.3	313.1	303.9	560.3
SE Gobe	24.7	40.9	23.2	47.9	83.1	148.1
Total Crude Oil Production	1728.8	<i>1984.2</i>	1629.5	3358.3	<i>4157.4</i>	8388.3
Total Sales Volume	1981.2	1987.3	1433.2	3414.4	4211.5	8604.5
Oil Price (Avg A\$/bbl)	89.64	75.66	83.32	86.99	73.28	78.83
Oil Price (Avg US\$/bbl)	79.28	56.97	75.50	78.21	52.45	63.77
Total Sales Revenue (A\$m)	177.6	150.4	119.4	297.0	308.7	678.3
TOTAL						
Production (mmboe)	11.9	<i>13.4</i>	<i>12.3</i>	24.2	<i>26.7</i>	54.4
Sales Volume (mmboe) Own Product	12.9	13.2	12.1	25.0	26.2	54.8
Sales Volume (mmboe) Third Party	2.0	1.4	1.5	3.5	2.8	5.3
Sales Volume Total	14.9	14.6	13.6	28.5	29.0	60.1
Sales Revenue (A\$m)	579.8	483.8	511.3	1091.1	1024.0	2180.5

Figures in italics indicate that this figure has been adjusted since previously reported.

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

Major wet weather and flood events continued to significantly impact Cooper Basin activities and hydrocarbon production in the second quarter. Access to wells and field infrastructure has been slower than anticipated, however creative solutions have been employed to maximise the production recovery. Whilst development and work-over activities had been severely restricted, all rigs are now back in full operation.

Crude oil production of 0.6 million barrels was 4% higher than Q1 2010 due to ongoing recovery from wet weather and flood impacts.

Sales gas and ethane production of 15.8 petajoules (PJ) was 21% lower than Q2 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 21% lower than Q2 2009 due to flooding.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 5.2 PJ was 4% lower than Q2 2009 due to planned shutdown events at the Iona plant.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 8.0 PJ was 5% lower when compared with Q2 2009 primarily due to the timing of the annual CS Energy shutdown in Scotia. Year to date sales gas production of 16.6 PJ is 6% higher than half year 2009 due to higher production from Fairview following the commissioning of the Phase 2 expansion.

Amadeus Basin

Sales gas production of 0.3 PJ was lower than Q2 2009 due to gas contract expiration.

Carnarvon Basin

Gas production from the John Brookes field of 11.6 PJ was 21% higher than Q2 2009 due to the commencement of new contracts and production in the corresponding period in 2009 was still impacted by the Varanus Island incident.

Mutineer-Exeter's production of 0.16 mmbbl was 31% higher when compared to Q1 2010 as the field was offline in February 2010 whilst awaiting an ROV to carry out subsea equipment repairs.

Stag production of 0.43 mmbbl was consistent with Q1 2010 with the field in stable operations.

Bayu Undan / Darwin LNG

In Q2 2010, Bayu Undan and DLNG had a planned statutory 35 day shutdown therefore production was considerably lower than the 2009 corresponding period.

Gross Bayu-Undan LNG production of 544,878 tonnes (30 PJ) was 36% lower when compared to Q2 2009. Santos' net entitlement production of 36,903 tonnes (2.0 PJ) was 48% lower than the 2009 comparative period.

Gross Bayu-Undan condensate production of 3.4mmbbl was 36% lower than Q2 2009. Santos' net entitlement production of 0.2 mmbbl was 39% lower than the 2009 comparative period.

Gross Bayu-Undan LPG production of 172,149 tonnes was 37% lower than Q2 2009. Santos' net entitlement production of 12,928 tonnes was 37% lower than the 2009 comparative period.

Indonesia

Sales gas production of 9.6 PJ was 35% higher than Q2 2009 due to the start up Oyong Phase 2 at the end of the third quarter 2009 combined with higher production from Maleo. Indonesian crude oil production of 0.16 mmbbl was 4% higher when compared to Q1 2010 due to higher production from Oyong.

2. Capital Expenditure

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

	Quarter Ended			Year to Date	
	Q2 2010	Q2 2009	Q1 2010	2010	2009
Capital Expenditure Summary (\$ million)					
Exploration	34.5	57.3	13.5	48.0	122.6
Evaluation including CSG	50.9	35.5	34.7	85.6	78.2
Development and Other PP&E	390.3	285.6	334.7	725.0	563.3
Total Capital Expenditure	475.7	378.4	382.9	858.6	764.1
Exploration and Evaluation Expensed Summary					
From current year expenditure					
- Exploration	18.8	55.7	15.0	33.8	100.0
- Evaluation	6.6	-	7.4	14.0	6.2
	25.4	55.7	22.4	47.8	106.2
Write-off of net amounts capitalised in prior years	7.7	-	(0.2)	7.5	-
Total Expensed	33.1	55.7	22.2	55.3	106.2

2.1 Exploration Activity

Well	Basin/Area	Target	Santos %	Well Status
Pancang-1	Kutei Basin	Oil	20	Drilling
Warrah-1	Gunnedah Basin, PEL 452	CSG	100	P&A

Pancang-1, located in Popodi PSC in the Kutei Basin, Indonesia, spudded on 2 June 2010 and has drilled to a depth of 7,289 feet. The well is programmed to drill ahead through multiple Eocene sandstone targets to a planned total depth of 13,692 feet.

Warrah-1, located in PEL 452 in the Gunnedah Basin NSW, spudded on 8 March 2010. The primary target of the well was the Hoskissons Coal seam of the Late Permian Black Jack Group. The well reached a total depth of 1,218 metres and was plugged and abandoned as programmed.

2.2 Seismic Activity

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

Permit	Area/Basin	Survey	Type	Km/Km2	Status
Block 16	Bangladesh	Magnama TZ3D	3D marine	117	Completed
Block 16	Bangladesh	South Sangu TZ3D	3D marine	32.94	Completed
ATP299P	Australia	Tintaburra	3D land	202.09	Ongoing
Tajik & Kyrg / Novobod, Obchai/Kalachi, and North-West	Fergana Basin	Tajik & Kyrg / Novobod, Obchai/Kalachi, & North-West	2D land	155.33	Completed

2.3 Development Projects

The status of the development projects which were in progress during the second quarter are as follows:

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 of Kipper A2 and Kipper A4 wells were nearing completion at the end of June 2010. The project schedule is being updated while the offshore installation program is being optimised. The operator's estimate of first gas is in the second half of 2011.

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 Pluto project pipeline crossing pre-stabilisation works have been successfully installed, allowing the Reindeer to Devil Creek pipeline to be laid later this year. Gas plant piperack and process equipment modules have all been delivered from Thailand and gas plant works are continuing. 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 km offshore southern Vietnam within exploration 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 an approximately 100 kilometre pipeline. During the second quarter the wellhead jacket was positioned, pipeline installations were completed and the development drilling program commenced in accordance with the project schedule. Construction of the wellhead platform topsides is nearing completion for deployment in late July. The conversion of the 'Lewak Emas' FPSO is proceeding as planned. First oil remains on target for the second half of 2011.

GLNG[®] Project (Santos 60%, operator)

GLNG is a transformational project for Santos and involves the production of LNG using coal seam gas sourced from the GLNG 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 Q2 2010 included:

- > GLNG became Australia's first major coal seam gas to LNG project to receive its environmental approval from the Queensland Government on 28 May 2010. The environmental approval process now continues with Federal Government consideration of the project.
- > Santos appointed Fluor as the preferred contractor to carry out Engineering, Procurement and Construction (EPC) of the upstream facilities component of the GLNG project. Santos extended Fluor's engineering design contract to include early works activities of approximately A\$50 million.
- > The upstream, pipeline and two-train plant FEED continued to progress on schedule and is near completion.

- > The final of seven Indigenous Land Use Agreements (ILUAs) required for the downstream components of the project was agreed in principle in June. The ILUA is expected to be signed and authorised in the third quarter.

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 and LNG plant locations and for supporting infrastructure (roads, wharfs, communications etc). Design and procurement work for the major EPC contracts is in progress. Construction work will continue to ramp up throughout the second half of 2010 and 2011.

3. Hedging

There was no hedging outstanding at the end of second 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, 1PJ	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 second quarter of 2010 was \$51 million, comprising near-field exploration, CSG and exploration appraisal expenditure. The table below details of the wells drilled during the second quarter and their status:

Well	Basin/Area	Target	Santos (%)	Well Status
Legendre South 3	Carnarvon Basin	Oil	22.6	P&A
Inca 1	Cooper/Eromanga - QLD	Oil	70.0	C&S, successful oil
Combabula 8	Surat Basin	CSG	2.6	C&S, successful gas
Ramyard 7*	Surat Basin	CSG	2.6	C&S, successful gas
Bony Creek 191*	Surat Basin	CSG	100	C&S, CSG injector
Gunadale 2	Surat Basin	CSG core hole	60.0	P&A
Mount Eden 2	Surat Basin	CSG core hole	100	P&A
Meeleebee 5*	Surat Basin	CSG core hole	2.6	P&A
New Country 2	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Spring Rock 2	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Tchanning 2*	Bowen Basin	CSG core hole	81.9	P&A
Clematis Creek 4*	Bowen Basin	CSG core hole	47.7	C&S, successful gas
Blue Hills 2	Gunnedah Basin	CSG core hole	35.0	P&A
Brawboy 2	Gunnedah Basin	CSG core hole	100	C&S, successful gas
Baradine Creek 1	Gunnedah Basin	CSG core hole	35.0	Drilling
Cuan 1	Gunnedah Basin	CSG core hole	100	Drilling
Bohena 14*	Gunnedah Basin	CSG core hole	35.0	P&A
Tintfield 4H*	Gunnedah Basin	CSG	35.0	Suspended

* Spudded during first quarter

5.2 Development Wells

Development expenditure during the second quarter of 2010 was \$390 million. The table below details all development wells drilled during the second quarter and their status:

Well	Basin/Area	Target	Santos (%)	Well Status
Genoa 3	Cooper/Eromanga - QLD	Oil	70.0	C&S, successful oil
Coonatie 16*	Cooper/Eromanga - SA	Gas	72.32	C&S, successful gas
Coonatie 17*	Cooper/Eromanga - SA	Gas	72.32	C&S, successful gas
Coonatie 19	Cooper/Eromanga - SA	Gas	72.32	Drilling
Kipper A1*	Gippsland Basin	Gas	35.0	Suspended, surface hole
Kipper A2*	Gippsland Basin	Gas	35.0	C&S, successful gas
Kipper A3*	Gippsland Basin	Gas	35.0	Suspended, surface hole
Kipper A4*	Gippsland Basin	Gas	35.0	C&S, successful gas
Bayu Undan BU-W13/ST2	Timor Sea	Gas	11.4	C&S, successful gas
Pleasant Hills 35	Surat Basin	CSG	60.0	C&S, successful gas
Pickanjinie 24	Surat Basin	CSG	60.0	C&S, successful gas
Pickanjinie 25	Surat Basin	CSG	60.0	C&S, successful gas
Fairview 342	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 499	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 506	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 508	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 509	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 510	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 511	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 512	Bowen Basin	CSG	47.7	C&S, successful gas
Fairview 513	Bowen Basin	CSG	47.7	C&S, successful gas

* Spudded during first quarter