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Santos increases 2P reserves to 1,445 million barrels

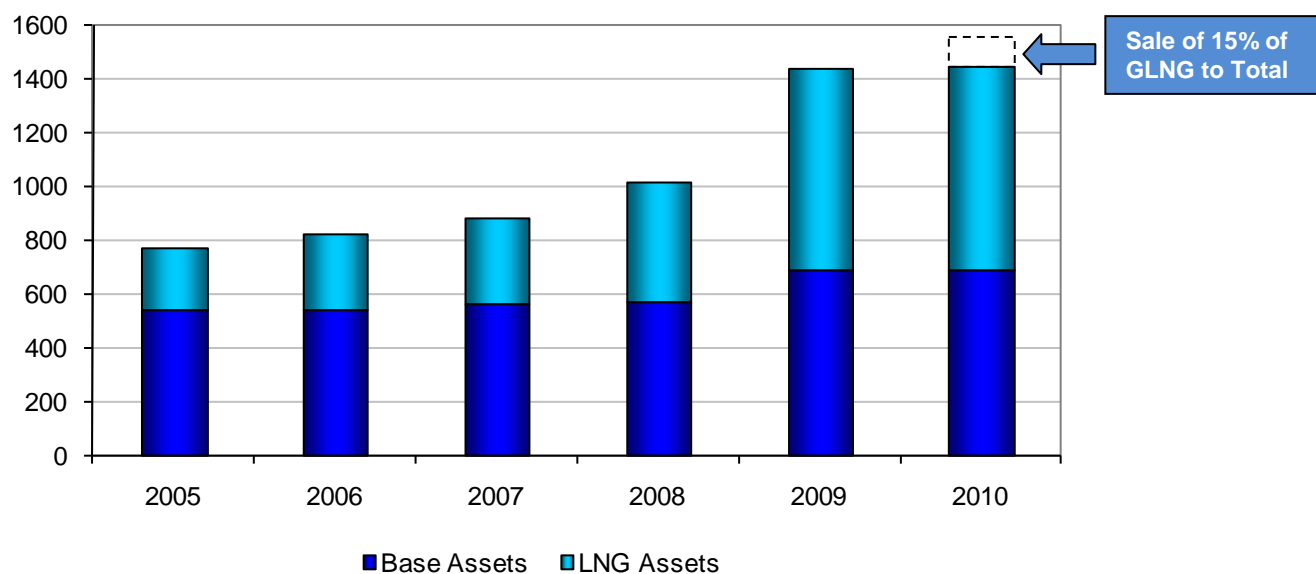
Santos today announced that proved and probable (2P) hydrocarbon reserves increased to 1,445 million barrels of oil equivalent (mmboe) as at the end of 2010. This represents a 2P reserves replacement ratio of 110% and is the company's seventh successive annual increase in its reserves.

Successful exploration, appraisal and commercialisation activity, along with the sanctioning of new projects, added 165 mmboe of 2P reserves in 2010

The increase in reserves was driven by strong growth in coal seam gas (CSG) reserves dedicated to the GLNG project. Reserves also increased in the Cooper Basin and through the sanctioning of the Spar (Western Australia) and Wortel (Indonesia) gas projects.

After the sale of a 15% interest in GLNG to Total for \$650 million announced in September (approximately 110 mmboe) and 2010 production of 50 mmboe, Santos' year-end 2P reserves increased to 1,445 mmboe.

2P Reserves (mmboe)



Year-end 2010 reserves are calculated after the sale of a 15% interest in GLNG to Total announced on 9 September 2010 but before the sale of a further 15% interest in GLNG to Total and KOGAS announced on 17 December 2010, as the latter sale transactions will not complete until early 2011. Completion is expected to result in the sale of approximately 110 mmboe of 2P reserves.

Santos Chief Executive David Knox said consistent delivery of Santos' strategy had again delivered reserves growth in 2010.

"The quality of our reserve base is also improving - more than half of our reserves are targeted at the higher margin LNG business."

"Today's announcement means Santos has delivered its seventh successive annual reserves increase, positioning the company for significant future production growth," Mr Knox said.

On a proved (1P) basis, year-end reserves were 646 mmboe, after allowing for 2010 production of 50 mmboe. This represents a 1P reserves replacement ratio (RRR) of 201% on a 3-year rolling-average basis.

On a proved and probable (2P) basis, year-end reserves increased to 1,445 mmboe. This represents a 2P RRR of 457% on a 3-year rolling-average basis.

2P reserves growth from project sanctions and commercialisation success

Development approvals for the Spar project offshore Western Australia and the Wortel project offshore Indonesia added 36 mmboe in aggregate to 2P reserves.

The Spar project involves 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. First gas is scheduled for mid-2011.

The Wortel project includes two gas wells, a minimum facility wellhead platform and a 10-kilometre gas pipeline to the existing Oyong well-head platform. First gas is scheduled for the end of 2011.

39 mmboe of 2P reserves were added in the Cooper Basin from improved base performance, identification of additional compression projects and conversion of the first tranche of infill contingent resources to reserves.

Following the 2010 start-up of production from the Henry and Netherby fields, offshore Victoria, production performance data indicates accessed reserves for each reservoir are lower than the previously booked volumetrically based estimates. Consequently, 2P reserves for the fields have been reduced by 14 mmboe Santos share.

Commercialisation of contingent resources

Santos continued to deliver on its strategy to commercialise its significant contingent resource base in 2010. Key milestones were:

- The sale of contingent resources to Total as part of the 15% sell-down in GLNG for A\$650 million.
- Commercialisation of resources to reserves related to Spar, Wortel and CSG.
- Additions to CSG contingent resources in Queensland and NSW.

Overall, contingent resources decreased by 236 mmboe to 2.3 billion boe, reflecting the sale to Total, conversions to reserves and reassessments, offset by additions to CSG resources through exploration and appraisal.

GLNG

GLNG dedicated 2P CSG sales gas reserves were 5,009 PJ as at December 2010. The project continued its track record of reserves build in 2010, adding over 1,000 PJ of 2P reserves in the GLNG dedicated areas since December 2009.

Coal Seam Gas Reserves & Resources	GLNG Dedicated Areas			
PJ (as at Dec)	2010E	2009A	2008A	2007A
IP	1,432	1,232	1,167	545
2P	5,009	4,003	3,246	1,344
3P	7,680	5,954	5,999	4,000
2C	3,732	2,769	2,647	4,798

Table above excludes 750 PJ of GLNG dedicated Santos portfolio gas supply. CSG sales gas reserves are estimated after deducting the fuel, flare and vent necessary to produce and deliver sales gas to the LNG plant.

GLNG reserves and resources were independently certified by Netherland, Sewell & Associates, Inc. (NSAI) as at 31 October 2010. NSAI estimated that the ultimate potential 2P reserves maturation in the GLNG dedicated areas was 9,848 PJ. The NSAI reserves maturation assessment is based on full success of the Santos CSG field development plan in converting possible and contingent resource areas to 2P reserves.

A table detailing the Company's oil and gas reserves and resources position as at 31 December 2010 is attached to this release. Unless otherwise stated, all references to reserves and resource quantities in this release are Santos net share. References to contingent resources are mid (2C) contingent resource estimates. Sales gas reserves and contingent resources are estimated after deducting the fuel, flare and vent necessary to produce and deliver sales gas.

The information in this reserves statement has been compiled by Greg Horton, a full-time employee of the Company. Greg Horton is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears. Santos prepares its reserves and contingent resources estimates in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

Approximately 60% of Santos' year-end 2010 2P Reserves and 65% of 2C Contingent Resources (including 100% of CSG 2P Reserves and 2C Contingent Resources), were audited by independent experts Gaffney, Cline & Associates (conventional assets), Netherland, Sewell & Associates, Inc. (CSG assets) and DeGolyer and MacNaughton (unconventional assets). Additionally, over the last two years, GCA, NSAI and DeGolyer and MacNaughton have audited approximately 77% of Santos' combined total year-end 2010 2P plus 2C estimates. The auditors found that based on the outcomes of each of the respective audits and their understanding of the estimation processes employed by Santos, that Santos' December 31, 2010 Reserves and Contingent Resources quantities in aggregate compare reasonably to those estimates prepared by the auditors. Gaffney, Cline & Associates found that, in the aggregate, the total volumes summarised in the Santos summary table represents a reasonable estimate of Santos' December 31, 2010 Reserves and Contingent Resources position.

Ends.

APPENDIX A

The table below shows the breakdown of reserves as at 31 December 2010.

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) BY ACTIVITY

	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Reserves year end 2009	7460	74	64	2848	1440
Production	-226	-7	-3	-210	-50
Additions	897	-2	9	445	165
Acquisitions/Divestments	-642	1	0	0	-110
Estimated reserves year end 2010	7489	66	70	3083	1445

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) YEAR END 2010 BY AREA

Area	Sales gas PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Eastern Australia					
Cooper Basin	868	29	16	1830	209
Southern Australia	369	0	5	398	71
Qld CSG	2883	0	0	0	496
Qld Conventional	46	1	0	0	9
NSW CSG	532	0	0	0	91
Total EA	4698	30	21	2228	876
Western Australia and Northern Territory					
Carnarvon	805	18	8	0	164
Bonaparte	280	0	15	855	69
Amadeus	91	5	1	0	22
Total WA & NT	1176	23	24	855	255
Asia Pacific					
PNG	1219	0	25	0	233
Indonesia	176	1	0	0	31
Vietnam	9	12	0	0	14
Bangladesh	4	0	0	0	1
Total Asia Pacific	1408	13	25	0	279
Total	7282	66	70	3083	1410
Beneficial Interests*	207	0	0	0	35
Grand Total	7489	66	70	3083	1445

*Santos owns an interest in Eastern Star Gas Limited, which has a 65% interest of PPL3, PAL2, PEL238, PEL433 and PEL434 in NSW.

RESERVES (SANTOS SHARE)

(mmboe)	Year End 2009	Production	Additions	Acq / Div	Year End 2010
1P Reserves	647	-50	87	-38	646
2P Reserves	1440	-50	165	-110	1445
2C Contingent Resources	2497	0	-106	-130	2261