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Santos 2009 Reserves Report

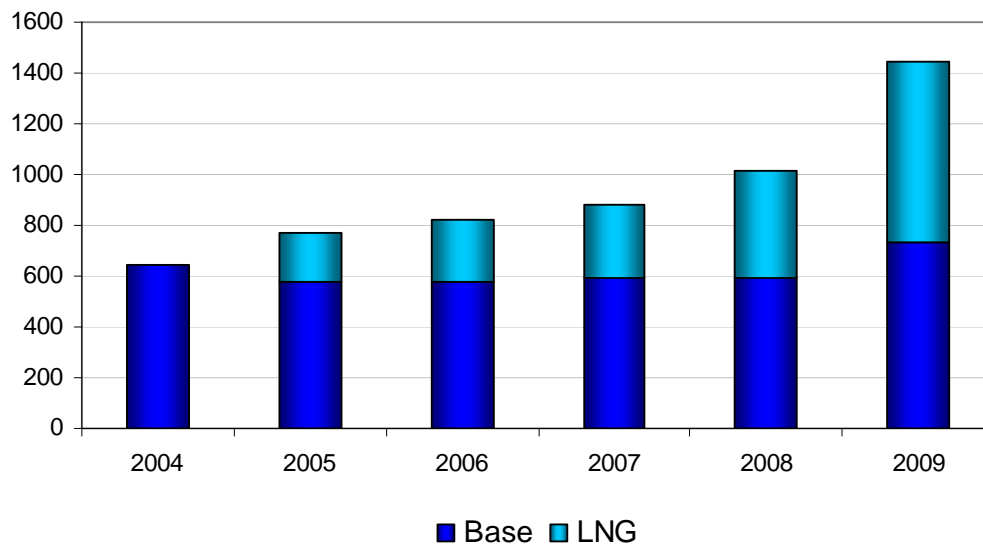
42% increase in 2P reserves to 1.44 billion barrels

60% increase in CSG 2P reserves to 3,748 PJ Santos share

Santos today announced a 42% or 427 mmboe increase in its year-end 2P reserves, taking the company's total 2P reserves to a record 1.44 billion barrels of oil equivalent.

This significant reserves increase is a result of the consistent delivery of Santos' transformational LNG growth strategy. 2P reserves dedicated to Santos' portfolio of LNG projects are now more than 700 mmboe or almost 50% of total 2P reserves.

2P Reserves growth 2004 to 2009 (mmboe)



The overall reserves increase was net of 2009 production of 54.4 mmboe. It represents a 2P reserves replacement ratio for 2009 of 885% and is the company's sixth successive annual increase in its reserves position.

Highlights

- Proved and probable (2P) reserves increased by 427 mmbbl to 1.44 billion barrels of oil equivalent (boe).
- 2P reserves replacement cost of A\$3.74 per barrel.
- CSG 2P reserves increased by 60% to 3,748 petajoules (PJ) Santos share.
- At year end, GLNG[®] project 2P reserves were 4,003 PJ. The reserves build for GLNG[®] was ahead of target and exceeded the reserves requirement for the first train. GLNG[®] project 2P reserves have grown three-fold since 2007.
- First bookings of CSG reserves and resources in the Gunnedah Basin: 724 PJ of 2P reserves and 951 PJ of contingent resources.

On a proved (1P) basis, year-end reserves increased to 647 mmbbl, after allowing for 2009 production of 54.4 mmbbl. This represents a 1P reserves replacement ratio (RRR) of 338% for 2009 and 223% on a 3-year rolling-average basis.

On a proved and probable (2P) basis, year-end reserves increased to a record 1,440 mmbbl. This represents a 2P RRR of 885% for 2009 and 470% on a 3-year rolling-average basis.

Commercialisation of Contingent Resources

Santos continued to deliver on its strategy to commercialise its significant contingent resource base in 2009. Key milestones were:

- The approval of the PNG LNG project in December 2009 which commercialised 218 mmbbl of contingent resources to reserves.
- The sale in 2009 of 225 mmbbl of contingent resources in Petrel/Tern/Frigate to GDF SUEZ for up to US\$370 million plus a carry of pre-FEED and FEED costs on a proposed floating LNG project.

Overall, contingent resources decreased by 352 mmbbl to 2.5 billion boe, reflecting the conversion of PNG LNG and CSG resources to reserves combined with the sale of 60% of Petrel/Tern/Frigate to GDF SUEZ, offset by additions to CSG resources through exploration and appraisal, and the acquisition of additional interests in the Gunnedah Basin.

Field appraisal and concept development work continues on the 863 mmbbl of contingent resources booked in 2008 related to Cooper Basin infill drilling into conventional reservoirs and unconventional reservoir gas.

Santos Chief Executive Officer David Knox said consistent delivery of Santos' strategy had again delivered strong reserves growth in 2009, positioning the Company for significant future production growth.

"Today's announcement means Santos has delivered its sixth successive annual reserves increase. Proved and probable reserves are now in excess of 1.4 billion barrels, another record level for the Company," Mr Knox said.

Coal Seam Gas Reserves and Resources

Santos' share of coal seam gas reserves and resources are shown in the table below. 2P CSG reserves have increased by 60% to 3,748 PJ.

Santos first entered the Gunnedah Basin in NSW in 2007 and has secured access to a substantial and quality acreage position of up to 63,000 km² gross. 2009 saw the company's first booking of reserves and resources in Gunnedah with 724 PJ of 2P reserves and 951 PJ of contingent resources added.

Coal Seam Gas Reserves & Resources	Santos share December 2009		
	2P	3P	2C
PJ			
Queensland	3,024	4,936	3,550
NSW	532	979	715
NSW – Beneficial Interests*	192	353	236
Total	3,748	6,268	4,501

*Santos owns 19.42% of Eastern Star Gas Limited (ESG) which has a 65% interest in PPL3, PAL2, PEL238, PEL433 and PEL434 in News South Wales.

GLNG[®]

At year end, GLNG[®] project 2P reserves were 4,003 PJ. The reserves build for GLNG[®] was ahead of target and exceeded the reserves requirement for the first train. GLNG[®] project 2P reserves have grown three-fold since 2007. Importantly, 95% of these reserves are uncontracted and available to the project.

Coal Seam Gas Reserves & Resources	GLNG Dedicated Areas ¹		
PJ (as at 31 Dec)	2009	2008	2007
1P	1,232	1,167	545
2P	4,003	3,246	1,344
3P	5,954	5,999	4,000
Contingent resource ²	2,769	2,647	4,798

¹GLNG dedicated areas as per ASX release of 29 May 2008.

²Contingent resource is defined as mid (2C) contingent resource estimate.

GLNG is an integrated development that includes coal seam gas production and processing facilities, onshore pipelines and LNG plant facilities. Santos has a 60% interest in GLNG. PETRONAS, Malaysia's national oil company and third largest LNG producer in the world, owns the remaining 40%. A final investment decision is expected in mid-2010 and first shipments of LNG in 2014.

A table detailing the Company's oil and gas reserves and resources position as at 31 December 2009 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.

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.

Approximately 70% of Santos' year-end 2009 2P Reserves and 37% of 2C Contingent Resources (including 100% of CSG 2P Reserves and 99% of CSG 2C Contingent Resources), were audited by independent experts Gaffney, Cline & Associates (conventional assets) and Netherland, Sewell & Associates, Inc. (CSG assets). Additionally, over the last two years, GCA, NSAI and DeGolyer and MacNaughton have audited approximately 94% of Santos' combined total year-end 2009 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, 2009 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, 2009 Reserves and Contingent Resources position.

Ends.

APPENDIX A

The table below shows the breakdown of reserves as at 31 December 2009.

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) BY ACTIVITY

	Sales gas (incl. ethane & LNG) PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Reserves year end 2008	5039	83	42	2989	1013
Production	-239	-8	-3	-240	-54
Additions	2857	2	32	109	525
Acquisitions/Divestments	-197	-3	-7	-10	-44
Estimated reserves year end 2009	7460	74	64	2848	1440

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) YEAR END 2009 BY AREA

Area	Sales gas (incl. ethane & LNG) PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Eastern Australia					
Cooper Basin	762	31	11	1607	186
Southern Australia	465	0	5	398	88
Qld CSG	3024	0	0	0	520
Qld Conventional	56	0	0	0	10
NSW CSG	532	0	0	0	91
Total EA	4839	31	16	2005	895
Western Australia and Northern Territory					
Carnarvon	742	24	5	0	155
Bonaparte	278	0	17	843	71
Amadeus	95	5	1	0	23
Total WA & NT	1115	29	23	843	249
Asia Pacific					
PNG	1130	1	25	0	218
Indonesia	168	1	0	0	30
Vietnam	9	12	0	0	14
Bangladesh	7	0	0	0	1
Total AP	1314	14	25	0	263
Total	7268	74	64	2848	1407
Beneficial Interests*	192	0	0	0	33
Grand Total	7460	74	64	2848	1440

*STO owns 19.42% of Eastern Star Gas, which has a 65% interest of PPL3, PAL2, PEL238, PEL433 and PEL434.

RESERVES (SANTOS SHARE) (mmboe)	Year End 2008	Production	Additions	Acq / Div	Year End 2009
1P Reserves	518	54	230	-46	647
2P Reserves	1013	54	525	-44	1440
2C Contingent Resources	2849	0	-260	-92	2497