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Santos Announces Gas Sales from Oyong

Santos Limited today announced that its wholly owned subsidiary Santos (Sampang) Pty Ltd had entered into a Heads of Agreement (HoA) with PT Indonesia Power for the sale of the entire gas reserves of the off-shore Oyong field in East Java, Indonesia. The Oyong field is estimated to contain in excess of 90 billion cubic feet of recoverable gas.

Santos said the HoA (which follows the signing of an interim MoU on 31 December 2002) provides for the gas to be sold under a Gas Sales Agreement (GSA) between the Sampang PSC participants and PT Indonesia Power for the life of the field or up to 10 years.

The HoA has been signed to supply the gas to PT Indonesia Power's 766 MW open and combined cycle gas turbine facility at Grati, 60 km south west of the Oyong field on the coast of East Java.

PT Indonesia Power - one of the wholly owned generating subsidiaries of the State owned national electricity company, PLN - operates some 9,000 MW of generating capacity out of the 18,600 MW supplying the Java-Bali grid plus additional capacity in Sumatra and Kalimantan.

The HoA is the second Indonesian gas sales announcement by Santos in the past five months. In August 2002 a Memorandum of Understanding was signed with Pertamina to supply gas to Petronas in Malaysia for 20 years from the Bentu and Korinci-Baru PSC's in Central Sumatra.

First gas supplies from the Oyong field are expected to commence under the GSA in late 2004, with a minimum of 40 million cubic feet per day of gas being delivered to Grati. Payment will be in US dollars.

"This would be Santos' second gas sale from our Indonesian operations," Santos' Managing Director, Mr John Ellice-Flint said today.

"It adds to the solid production base we are building in South East Asia and is in line with our overall growth strategy which includes international diversification of our gas business," he said.

Mr Ellice-Flint said the HoA was reached in record time, less than eighteen months since the Oyong discovery. This was due to the strong support from the Indonesian Government regulator BPMIGAS, the Ministry of Energy and Mineral Resources and the commitment of Santos, its co-venturers and PT Indonesia Power.

“Our relationship with PT Indonesia Power is an important one for Santos given our developing gas reserves base and rapid gas commercialisation strategy in the region,” he said.

The Joint Venture is working to complete development approval as soon as possible. Front End Engineering Design for the Oyong development is expected to be concluded by the end of the first quarter 2003.

The Oyong field, which contains oil and gas reserves, was discovered by the Santos led joint venture in August 2001.

The Oyong field is estimated to contain in excess of 90 billion cubic feet of recoverable gas and conservatively 5 million barrels of recoverable oil. Additional oil reserves may be produced depending on field performance.

The company said that in addition to the gas project, Oyong oil would be produced through separate and dedicated wells and facilities at a rate yet to be determined.

Participants in the Sampang PSC are:

Santos (Sampang) Pty Ltd	45% (Operator)
Coastal Indonesia Sampang Ltd (a subsidiary of El Paso Corporation)	40%
Cue (Sampang) Pty Ltd	15%

Santos Limited is a major Australian oil and gas exploration and production company with interests in all Australian hydrocarbon provinces. The Santos Group also operates in the USA, Indonesia and PNG.

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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR)