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## Santos upbeat on 2005 exploration program

Santos' 2005 exploration program is the most prospective since the Company's inception half a century ago, according to Managing Director, Mr John Ellice-Flint.

Mr Ellice-Flint's upbeat outlook for the year ahead – a period in which Santos for the first time will drill more wildcat wells overseas than in Australia – is contained in the Company's 2004 Annual Report issued yesterday.

"Santos has an exciting exploration program for 2005, one that I believe holds the highest resource potential of any program in the Company's 50 year history," Mr Ellice-Flint says in his Managing Director's review.

"We expect to participate in drilling a record 157 wells, of which 25 are wildcat wells," he says.

"Consistent with the growing internationalisation of Santos, this includes eight wells in Indonesian waters and five wells in the Gulf of Suez, Egypt.

"This program offers an attractive combination of risk and reward and is a new focus to our overseas exploration effort.

"In Australia, our increasing focus on the potential of offshore areas will see Santos drill three wells off Western Australia in 2005, one off southern Australia and two wells off northern Australia. We will also drill two wells onshore in Queensland."

Mr Ellice-Flint says in the Annual Report that Santos' success in Indonesia in the past year confirmed the Company's exploration strategy was delivering.

"Jeruk stands out from the crowd for a number of reasons. At 18,700 feet, it was the deepest well (in terms of measured depth) drilled in Indonesia last year; a deep, high pressure well that few companies would have attempted," he says.

"At Santos, we are proud that an Australian company took on that challenge and succeeded, and I congratulate the exploration and drilling teams on a great effort.

“With the Jeruk discovery behind us, Indonesia is at the forefront of our international exploration efforts and, with eight wells planned in the region for 2005, Santos is currently the most active explorer in Indonesia.”

Mr Ellice-Flint says Santos has made a strong start to its exploration efforts this year, with oil and gas discovered at Hiu Aman in the Kutei Basin, offshore East Kalimantan, a region he describes as “very promising”.

In his Chairman’s review, Mr Stephen Gerlach says the Company’s strong financial performance – “combined with the confidence that Santos will continue to grow earnings in the future” – enabled the Board to increase the final dividend on ordinary shares by 20%, from 15 cents to 18 cents per share, fully franked.

“I am confident that the significant achievements made during 2004 provide Santos with a solid platform from which to achieve future growth with increased value for our shareholders,” Mr Gerlach says.

“For the full year, dividends increased by 10% to 33 cents per share, compared with 30 cents per share in each of the four previous years.”

“On a grossed up basis, this represents a yield of over 5%. The total shareholder return for the year, including share price appreciation and dividends paid, was 28% - an excellent result and in line with peer companies.”

Mr Ellice-Flint says this week’s start-up of the Mutineer-Exeter oil field off the WA coast, announced earlier today “is a significant milestone in Santos’ development history”.

“It is the first offshore oil development which we operate and is also the first of five more offshore production projects due to commence over the next 18 months – three of which are operated by Santos.

“The achievements in developing Mutineer-Exeter are world class and provide further evidence of the ability of Australian companies to more than hold their own on the global discovery and development stage.”

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