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Bayu-Undan LNG sales contract executed

A signing ceremony in Darwin overnight has executed the sales gas agreement for the US\$3.3 billion Bayu-Undan project in the Timor Sea.

Santos is the only Australian-owned company involved in this world-class condensate, LPG and LNG project with a 10.6% interest. The agreement was signed by Darwin LNG Pty Ltd, the company representing the Bayu-Undan partners.

The LNG Sales & Purchase Agreement governs the sale of all of the project's LNG production to Japanese customers, Tokyo Electric and Tokyo Gas.

The signing was followed by news that the first gas has entered the Bayu-Undan to Darwin pipeline in the Timor Sea. The gas is being released at a reduced pressure and will be parked in the pipeline until it is required on a regular basis by the project's Darwin-based LNG plant.

Santos was represented by the Company's Managing Director, Mr John Ellice-Flint, in the presence of NT Chief Minister, the Hon Clare Martin MP; executives of project operator, ConocoPhillips and joint project owners and customers, Tokyo Electric Power and Tokyo Gas, Eni Australia and Inpex Corporation.

Bayu-Undan is located 500 kilometres offshore from Darwin. The field contains estimated recoverable hydrocarbons of 400 million barrels of petroleum (liquefied petroleum gas and condensate) and 3.4 trillion cubic feet of natural gas.

The project represents Santos' first entry into the international LNG market and, at its peak, will add more than 6 million barrels of oil equivalent to the Company's annual production.

Production commenced in the first quarter of 2004 from the first stage gas recycle (liquids) project which involves the stripping of natural gas liquids (condensate and LPG) from the field's gas stream and re-injecting the residual gas.

The residual gas from the liquids project is then reinjected into the gas reservoir via dedicated wells for future use in the second stage LNG project.

The field is presently producing over 1 billion cubic feet per day of raw gas from which around 108,000 barrels per day of combined condensate and LPG are being recovered.

The LNG project is currently scheduled to commence production early in 2006 and involves the transportation of dry gas via a sub-sea pipeline to Wickham Point, Darwin for processing into LNG for export to Japan.

Interests in the total Bayu-Undan project are:

ConocoPhillips (Operator)	56.72%
ENI	12.04%
Santos Group	10.64%
INPEX	10.52%
Tokyo Electric Power Company, Incorporated/ Tokyo Gas Co., Ltd.	10.08%

FOR FURTHER INFORMATION PLEASE CONTACT:

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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)