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13 July 2004

Santos expands with first North African venture

Santos Limited has further expanded its global oil and gas search with the announcement today of the Company's first North African exploration venture.

Santos is investing approximately AU\$70 million in a joint eight-well exploration venture over three years in the Gulf of Suez, Egypt, with major US petroleum group, Devon Energy Corporation.

It is the first move by Santos into the North African / Middle East region, the world's largest hydrocarbon province.

Santos said its wholly-owned subsidiary, Santos Egypt Pty Ltd, has agreed, by farm-in, to acquire a non-operated equity position in three exploration Concession Agreements (Concessions), totalling 1,350 square kilometres in the Gulf of Suez, Egypt from Devon Energy, subject to the formal consent of the Egyptian government.

Santos' participation will earn equity interests ranging from 20 percent to 50 percent in the three Concessions, which contain exploration opportunities with a gross unrisked mean resource potential of several hundred million barrels of oil and possibly gas.

The Ras Abu Darag Concession and South East July Concession are offshore blocks located in 40-60 metres of water. The North Zeit Bay Concession is an onshore block and contains Devon's East Zeit Production facilities.

The first well, Khefren 1X is planned to spud in mid July, 2004 in the South East July block.

The move into the North Africa/Middle East region is in line with Santos' previously stated intention to diversify operations through a focus on new ventures in proven hydrocarbon basins outside the Group's current production and exploration areas.

It follows other international moves by Santos in the past month, including an expansion of its Indonesian and USA exploration acreage and prospects and the agreement to acquire additional Indonesian oil and gas assets, following PT Medco's bid for Novus Petroleum.

“This is another significant step for Santos and further builds our international exploration interests”, Santos Managing Director, Mr John Ellice-Flint, said today.

“The Gulf of Suez is a prolific hydrocarbon area with important remaining exploration potential. The joint venture plans an active drilling campaign commencing mid July,” he said.

“Importantly, our targets are close to production facilities, which will enable accelerated cycle-times between discovery and production.”

Mr Ellice-Flint said it was particularly pleasing to have formed a joint venture relationship with the Devon Energy Corporation, which is one of the largest Gulf of Suez acreage-holders.

“We hope to develop more strategic ventures with Devon,” he said.

The acquisition is conditional upon the consent of the Government of Egypt to the assignment and to the transfer of the total available equity in all three Concessions.

The Joint Ventures participants are:

Ras Abu Darag Concession

Ocean Ras Abu Darag Ltd (a wholly owned subsidiary of Devon Energy Corporation) (Operator)	50%
Santos Egypt Pty Ltd	50%

South East July Concession

Ocean South East July Ltd (a wholly owned subsidiary of Devon Energy Corporation) (Operator)	50%
Teikoku Oil Suez SEJ Co., Ltd (a wholly owned subsidiary of Teikoku Oil Co.,Ltd.)	30%
Santos Egypt Pty Ltd	20%

North Zeit Bay Concession

Ocean North Zeit Bay Ltd (a wholly owned subsidiary of Devon Energy Corporation) (Operator)	50%
Santos Egypt Pty Ltd	50%

FOR FURTHER INFORMATION PLEASE CONTACT:

Mark Kozned
+61 8 8218 5939

mark.kozned@santos.com

Mike Hanzalik
+61 8 8224 7725

mike.hanzalik@santos.com

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

Map attached.

Fact Sheet

Ras Abu Darag Concession is located at the northern end of the Gulf of Suez stretching from the west coast to the east coast, and covers 928 square kilometres.

South East July Concession is located 3 km offshore in the western Southern Gulf of Suez and covers 244.8 square kilometres.

North Zeit Bay Concession is located south of South East July, on the El-Zeitiya Peninsula, and covers 181.75 square kilometres.

The Gulf of Suez is a highly productive province which has yielded 9 billion barrels of oil to date and is estimated to contain at least another 4 billion barrels of undiscovered reserves.

Egypt is one of the largest hydrocarbon provinces in the world. There is estimated to be a minimum of US\$25 billion invested by foreign companies in current development and production projects in Egypt today.

Devon Energy Corporation is listed in the USA and is one of the largest independent oil and gas producers with a market capitalisation of approximately US\$16.5 billion. The company is one of the largest independent processors of natural gas and natural gas liquids in North America. It also has operations in selected international areas.

Outside North America, Devon is a partner in a world-class oil discovery in the Caspian Sea, offshore Azerbaijan. The company is also active in West Africa, Brazil, Egypt, Syria, Russia and China and is included in the S&P 500 Index.

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