

14 April 2005

## Go ahead for Santos' first Indonesian development

Santos Limited and its joint venture partners are pleased to announce the development go-ahead for the Oyong oil and gas field following approval granted by the Indonesian government.

This is Santos' first operated offshore oil and gas development in Indonesia.

The Oyong field is located in the Sampang Production Sharing Contract area, offshore East Java, Indonesia.

The Oyong field was discovered in August 2001 and is estimated to contain in excess of 8 million barrels of recoverable oil and 130 billion cubic feet of recoverable gas.

Mr John Ellice-Flint, Santos' Managing Director, said the joint venture would develop the field in two phases.

"Phase 1, an early oil development, will proceed immediately with the planned first oil production from around 8 million barrels of 2P recoverable reserves, commencing late in 2005," Mr Ellice-Flint said.

"Phase 2 will be a gas development from around 130 BCF of 2P reserves, and we expect first gas production by the end of 2006 or early in 2007," he said.

"Santos is pleased to add its first Indonesian operated production to support the Brantas and Kakap production acquired last year.

"Oil production from Oyong comes at a time of high oil prices and adds to the Company's improving production.

"Importantly, Oyong gives Santos another operated development and builds our interests in Indonesia."

Mr Ellice-Flint said the project was expected to bring a significant economic benefit to the East Java community, displacing imported diesel as a fuel for power generation.

"Significantly, the rapid development timetable to achieve greater value for the joint venture could not have been reached without the strong support from the Indonesian government regulator, BPMIGAS, the Ministry of Energy and Mineral Resources and the commitment of Santos and its joint venturers.

Santos Limited's participation is through its wholly-owned subsidiary Santos (Sampang) Pty Ltd, in joint venture with Coastal Indonesia Sampang Ltd and Cue (Sampang) Pty Ltd.

Interests in the Oyong field are:

Santos (Sampang) Pty Ltd (operator)	45%
Coastal Indonesia Sampang Ltd	40%
Cue (Sampang) Pty Ltd	15%

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

## **Two-phase development plans**

### **Phase 1 oil development**

The oil development will consist of a simple well head structure that uses a triangular template that stiffens well conductors.

Seven development wells will be drilled through the wellhead structure. Six of the wells will be horizontal wells into the oil column of the field. One of the wells will be converted to a gas producer later in the field's life. Initial oil production is expected to be around 20,000 barrels of oil per day.

A gas production well will also be drilled at the same time. Oil and gas will be processed on a nearby moored barge and the oil exported by tanker. Solution gas associated with the early oil production will be reinjected until gas production begins.

Construction of the well head structure is expected to be completed in mid April 2005. A jack-up rig will install the structure in May 2005 before commencing development drilling.

### **Phase 2 gas development**

The gas development will include a 60 kilometre 14 inch channel gas pipeline that will be built to the P.T. Indonesia Power electricity generating plant at Grati, East Java.

The gas production rate and subsequent sales volume is expected to be between 40 and 60 million cubic feet per day under the terms of the existing gas contract between the Oyong joint venturers and P.T. Indonesia Power.

Approval of an application to revise the environmental plan for the field is expected shortly.

The Oyong oil and gas field is in 45 metres of water, 60 kilometres north east of PT Indonesia Power's 766 megawatt open and combined cycle gas turbine facility at Grati, Indonesia.

PT Indonesia Power is the largest of the wholly owned generating subsidiaries of the State owned national electricity company, PLN. PT Indonesia Power operates more than 8300 MW of generating capacity, supplying the Java-Bali grid and has a 50 per cent market share.