

23 October 2002

Record quarterly performance

The three months ended 30 September, 2002, have proved a strong growth period for Santos Limited, including:

- **The highest ever production and sales for any quarter**
- **Production up 3.4% to record 15.2 million barrels of oil equivalent (mmboe) - the first time quarterly output has exceeded 15 million barrels.**
- **Sales volumes up 6.3% to a record 15.3 mmboe**
- **Revenue for the quarter up 8.1% to \$405.4 million - second highest quarterly revenue in the Company's history, fuelled by higher oil prices and record sales volumes**
- **Highest quarterly gas production for two years from the Cooper Basin due to ongoing production optimisation efforts and improved field management**
- **YTD for nine months to 30 September, 2002:**
 - **Production 42.8 mmboe (41.2 mmboe previously)**
 - **Sales volumes 42.5 mmboe (41.0 mmboe previously)**
 - **Sales revenue \$1,078.5m (\$1,126.3m)**

"The record production performance in the third quarter was a good result. It demonstrates continuing progress on our business improvement initiatives. Santos remains on track to produce a solid performance in 2002", said Santos Managing Director, John Ellice-Flint.

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

STOCK EXCHANGE REPORT FOR QUARTER ENDING 30 SEPTEMBER 2002

(All comparisons made against 2001 third quarter unless otherwise indicated)

1. PRODUCTION AND SALES

Third quarter total production volumes increased by 3.4% to a record 15.2 million barrels of oil equivalent (mmboe).

Third quarter sales volumes increased by 6.3% to 15.3 mmboe and sales revenue increased by 8.1% to \$405.4m.

Sales gas and ethane production increased by 8.3% to 61.7 petajoules (PJ) due to an increase in production in almost all areas, most significantly from the Cooper Basin (+1.6 PJ), United States (+1.5 PJ) and the Otway Basin (+1.4 PJ).

Cooper Basin gas production increased as a result of ongoing production optimisation and improved field management.

In the United States, sales gas production increased by 125% or 1.5 PJ due primarily to the acquisition of increased interests in the Runnells field, the acquisition of Esenjay Exploration Inc and additional production from successful drilling in late 2001 and in the first half of 2002.

Onshore Otway gas production rose by 78% or 1.4 PJ due to the optimization of Heytesbury plant and ongoing production from Croft 1, Naylor 1 and McIntee 1 wells.

Production from the Scotia coal seam methane field in Eastern Queensland continued to meet customer requirements during commissioning of the customer facilities. Production is expected to increase in the fourth quarter as the CS Energy Swanbank Power Station is fully commissioned.

Gas production from the Amadeus basin was slightly lower due to lower seasonal demand in the Darwin market.

Oil production in the third quarter increased by 4.5% compared with the second quarter of 2002 due to increased production from the Cooper Basin (5.6%), Stag (7.4%) and Legendre (12.8%).

Condensate production decreased by 3.5% to 851,100 barrels due to production from lower yielding fields and well availability during testing operations.

LPG production increased by 2.5% to 68.4 thousand tonnes as a result of higher gas production.

While total United States gas production was up by 125% compared with the 2001 third quarter, it is not expected to achieve the production target of 3.0 mmbob for 2002. This reduction is primarily attributable to some projects being delayed due to unexpected drilling events (three wells sidetracked and subsequently completed to sales or awaiting production, and another well abandoned due to lost circulation problems and successfully redrilled). These events will result in a delay in achieving the original target.

Sales volumes during the third quarter were 15.3 mmbob, an increase of 6.3%.

Gas and ethane sales volumes were 6.2% above the 2001 third quarter.

LPG sales volumes were up 325% which reflects the impact the Moomba incident of June 2001 had on LPG sales in the third quarter of 2001.

Sales revenues increased by 8.1% to \$405.4 million. This reflects record sales volumes and the higher average oil prices realised during the quarter. Average realised oil prices for the third quarter were A\$ 48.60 (US\$ 27.92) per barrel, 2.9% higher than the 2001 third quarter of A\$ 47.23 (US\$ 25.91) and 14.2% higher than the second quarter of 2002 of A\$ 42.54 (US\$ 23.77).

Sales revenue for gas and ethane increased by 8.9%, condensate by 6.1% and LPG by 224.7%. The average gas price realised in the United States was more than twice the average Australian price realised in the third quarter.

2. EXPLORATION

Expenditure on wildcat exploration was \$32.5 million in the 2002 third quarter. Exploration activity consists of new field wildcat wells which test higher risk, higher reward opportunities.

Third Quarter Exploration Activity

| Well | Basin | Target | License | Santos Interest (%) | Result |
|----------------|-----------------------------|--------|--------------------------|---------------------|------------------------------|
| Dartmoor 1 | Cooper/Eromanga Basins | Gas | PL 33 | 79.53 | P&A |
| Casino 1&2 | Otway-Offshore | Gas | VIC/P44 | 50.00 | Non-commercial gas discovery |
| Remmers 6 ST 1 | SW Nordheim Field, Texas | Gas | SW Nordheim Field, Texas | 75.00 | Cased & Tested |
| Steele 1 | Tidehaven Field, Texas | Gas | Tidehaven Field, Texas | 15.90 | Drilling |
| Bligh 1 | Carnarvon-Dampier Sub Basin | Oil | WA-191P | 33.39 | P&A |

In the Cooper Basin, Dartmoor 1 was drilled and cased and suspended pending fracture testing of the Permian Epsilon Formation coal seam after encountering hydrocarbon shows. Subsequent to the end of the quarter the well will be plugged and abandoned as it failed to deliver commercial quantities of gas.

In the Offshore Otway basin, Casino 1 intersected a 47 metre gas sand and after reaching a total depth of 2,118m was plugged and abandoned with the rig moving to drill Casino 2. Casino 2 was plugged and abandoned at 2,112m having penetrated two hydrocarbon reservoirs. Initial evaluation suggests that the discovery cannot commercially support a stand alone development.

In the United States Remmers 6, drilled in the SW Nordheim Field, DeWitt County, Texas, reached a total depth of 4,433 metres (14,554 feet) MD on 27 September 2002 after penetrating approximately 85 feet of net pay in multiple Lower Wilcox intervals. Initial testing has yielded flow rates exceeding 8 million standard cubic feet of gas per day with a flowing tubing pressure of 7,640 pounds per square inch on a 14/64 inch choke. The initial completion is currently scheduled for fracture stimulation in late-October prior to perforating the upper pay intervals. Santos has a 75% working interest in the Remmers 6 well.

In the United States also Steele 1 spudded on 17 September and encountered mechanical difficulties; Steele 1 ST1 side track well is currently drilling ahead at a depth of 4,404 metres.

During the 2002 third quarter Bligh 1 (Carnarvon Basin WA 191 P) was spudded and the well was plugged and abandoned subsequent to the end of the third quarter.

In PNG, site construction for the Bilip 1 exploration well (PPL 190) was completed and the well spudded on 18 October. The Bosavi 1 exploration well (PPL 190) will follow the Bilip well and is expected to spud early in 2003.

Acreage awards:

Santos Ltd was granted an interest in, and is operator of, the VIC/P51, VIC/P52 permits in the offshore Otway Basin and the T/32P and T/33P permits in the Sorrell Basin off Tasmania's west coast. These blocks in total comprise an area of 18,260 square kilometers. Seismic work will commence at the end of 2002 with three wells planned in 2003. In the Houtman Basin off the coast of Western Australia Santos Offshore Pty Ltd (33%) has been awarded permit WA-328-P operated by AGIP.

3. DELINEATION AND DEVELOPMENT

Delineation and development expenditure was \$156.5 million in the third quarter of 2002.

In the Cooper Basin four delineation gas wells were drilled during the quarter and cased and suspended. Two wells cased and suspended in the second quarter were bought on line as producers during the third quarter flowing at 4.8 million cubic feet and 2.17 million cubic feet.

In the United States, the gas delineation well Pedraza 1 spudded on 1 September and reached a total depth of 3,810 metres. The well is currently being cased for completion operations.

The 2002 United States drilling program has included a technological first by the Santos team. The Poole 3 well, operated by Santos and located in the San Bernard National Wildlife Refuge in Brazoria County, Texas, saw the first successful installation of a 4.75 inch expandable drilling liner. A 207 metre (679 feet) section of expandable liner was used in the well, which enabled the drilling of an additional target interval below the liner. The Poole 3 side track gas well (spudded 26 June) reached a total depth of 4,083 metres. The well is currently being completed.

In the Madura Offshore Production Sharing Contract (PSC) delineation activity continued with preparation for the Maleo 2 appraisal well advancing. The Maleo 2 appraisal well is expected to spud in October. In the Sampang PSC, high resolution seismic was completed over the Wortel and Anggur structures close to the Oyong gas and oil discovery.

Development activity within the Cooper Basin consisted of the drilling of four gas wells (one still drilling at the end of the quarter) and one oil well. During the quarter 12 gas development wells and six oil wells were bought on line as producing wells and 10 wells were fracture stimulated to enhance productivity.

Work continued on the Bayu Undan Gas Recycle Project. The 2002 offshore installation work was completed during the quarter with the installation of the DDP and CUQ jackets. Construction of the decks continued in Korea and the FPSO was launched.

In the third quarter one development well was drilled in the United States, Terry 1 (Tidehaven Field) which was cased and suspended at 3,798 metres as a future gas producer. Terry 1 is due to go to sale on 23 October. During August Henderson 2 was plugged and abandoned and Buckeye Ranch 2 in the Runnells field was cased and suspended as a gas producer and commenced sales on 27 September with volumes of 3.5 million cubic feet per day.

In Southern Australia, the Sole 2 well was drilled and cased and suspended as a future gas producer whilst production facilities for Patricia Baleen and Minerva gas field developments continued throughout the quarter. Patricia Baleen is expected to come into production in early December.

Development activities in Indonesia remain ongoing and Sampang and Madura PSC gas sales opportunities have been identified with potential buyers. Studies of development options for the Oyong accumulation are well advanced.

4. UNITED STATES DRILLING PROGRAM

Altogether Santos has participated in ten operated and six non-operated wells year to date in the United States, with an overall success rate of 81%. Results to date include a 67% success rate for exploration wells, and an 85% success rate for delineation and development wells. The 2002 results include two dry holes and one well abandoned due to mechanical difficulties. One exploration well and three delineation and development wells are currently being drilled, with three exploration and five total wells scheduled to be drilled by year-end. The Runnells Field in Matagorda County, Texas continues to be one of several key focus areas in South Texas. Since taking over operations of the Runnells field last January, Santos has realized a 34% reduction in completed well costs compared with costs incurred in 2001.

5. BUSINESS DEVELOPMENT

Santos assumed operatorship of the Evans Shoal gas fields (permit NT/P 48) located in the Timor Sea on 1 July.

On 11 August Santos announced participation in the Malaysian-Indonesian gas sales negotiations. A Memorandum of Understanding was signed between the Indonesian and Malaysian State Oil companies (Pertamina and Petronas), to supply gas from onshore gas fields in South Sumatra to Malaysia. A gas sales agreement is expected to be concluded by the end of the year. The fields involved include the Bentu PSC operated by the Santos Group (61.1%).

6. HEDGING

The table below details the hedge position as at 30 September 2002. As at 15 October 2002 a further 1.35 mmboe of 2003 liquids production has been hedged at an average Tapis price of US\$ 24.60 per barrel. This will create a total petroleum liquids hedge position for 2003 of 2.79 mmboe at an average Tapis price of US\$ 25.02 per barrel.

| FORWARD HEDGING - As at 30 September 2002 | | | | |
|--|-------------------|-------------------|--------|--------|
| | 2002 [#] | 2003 | 2004 | 2005 |
| Petroleum Liquids | | | | |
| Avg. price US\$/bbl | 26.50 | 25.40 | | |
| Total (Mmboe) | 0.50 | 1.440 | | |
| | | | | |
| US Natural Gas | | | | |
| Avg. price – floor/cap | 3.07/3.54 | 3.25/4.00 | | |
| Total (Mmbtu) | 1,366,000 | 1,642,500 | | |
| | | | | |
| Currency | | | | |
| Avg. exchange rate – floor/cap | 0.5980/ 0.6089 | 0.6534/ 0.6668 | 0.6127 | 0.5779 |
| Total (US\$m) | 25 | 63 | 55 | 86 |
| | | | | |

Outstanding hedging positions for the remainder of 2002.

| Third quarter activities report | | | | | |
|--|--------------------------------------|---------------|---------------|---------------------|---------------|
| | Production, Sales and Revenue | | | | |
| | Quarter Ended | | | Year to Date | |
| | 2002 | 2002 | 2001 | 2002 | 2001 |
| | September | June | September | September | September |
| Sales Gas and Ethane (PJ) | | | | | |
| Cooper Basin | 45.0 | 42.7 | 43.4 | 123.8 | 122.3 |
| Surat/Denison | 2.9 | 3.1 | 2.7 | 8.5 | 7.9 |
| Amadeus | 2.5 | 2.8 | 2.6 | 8.2 | 7.9 |
| Otway | 3.2 | 2.7 | 1.8 | 8.0 | 5.4 |
| East Spar | 5.4 | 5.5 | 5.3 | 15.8 | 15.8 |
| USA | 2.7 | 2.4 | 1.2 | 7.4 | 2.8 |
| Total Production | 61.7 | 59.2 | 57.0 | 171.7 | 162.1 |
| Total Sales Volume | 63.0 | 58.7 | 59.3 | 171.3 | 164.8 |
| Total Sales Revenue | 183.9 | 167.5 | 168.9 | 493.2 | 470.9 |
| | | | | | |
| Crude Oil (000's bbls) | | | | | |
| Cooper Basin | 752.9 | 713.3 | 812.9 | 2244.7 | 2327.2 |
| Surat/Denison | 14.8 | 34.5 | 27.4 | 76.9 | 86.3 |
| Amadeus | 75.0 | 66.7 | 81.4 | 216.9 | 237.1 |
| Elang/Kakatua | 140.7 | 138.5 | 187.8 | 429.6 | 735.9 |
| Jabiru/Challis | 53.6 | 75.4 | 80.7 | 197.2 | 204.7 |
| Legendre | 658.4 | 583.8 | 554.7 | 1975.5 | 769.5 |
| Thevenard | 230.8 | 225.6 | 299.2 | 704.2 | 764.7 |
| Barrow | 261.4 | 253.1 | 275.3 | 771.3 | 841.8 |
| Stag | 799.1 | 744.2 | 1048.2 | 2152.7 | 2877.8 |
| Airle | 0.0 | 0.0 | 3.8 | 0.5 | 10.3 |
| SE Gobe | 110.6 | 103.2 | 133.6 | 319.9 | 386.8 |
| USA | 42.8 | 66.7 | 23.0 | 155.7 | 42.0 |
| Total Production | 3140.1 | 3005.0 | 3528.0 | 9245.1 | 9284.1 |
| Oil Price (Avg \$/bbl) | 48.60 | 42.54 | 47.23 | 43.14 | 49.68 |
| Total Sales Volume | 3045.5 | 2712.9 | 3317.2 | 9093.2 | 9064.9 |
| Total Sales Revenue | 148.0 | 115.4 | 156.7 | 392.3 | 450.4 |
| | | | | | |
| Condensate (000's bbls) | | | | | |
| Cooper Basin | 545.6 | 625.1 | 566.1 | 1681.4 | 1685.6 |
| Surat/Denison | 2.7 | 4.1 | 5.7 | 11.9 | 16.5 |
| Otway | 29.5 | 33.1 | 19.6 | 79.7 | 53.7 |
| East Spar | 268.1 | 282.9 | 278.6 | 806.1 | 856.4 |
| USA | 5.2 | 13.3 | 12.3 | 33.4 | 23.3 |
| Total Production | 851.1 | 958.5 | 882.3 | 2612.5 | 2635.5 |
| Total Sales Volume | 857.5 | 843.9 | 859.2 | 2557.3 | 2557.0 |
| Total Sales Revenue | 42.0 | 31.7 | 39.6 | 109.0 | 126.6 |
| | | | | | |
| LPG (000 t) | | | | | |
| Cooper Basin | 67.8 | 65.7 | 66.0 | 188.9 | 188.0 |
| Surat/Denison | 0.6 | 0.8 | 0.7 | 2.3 | 2.4 |
| Total Production | 68.4 | 66.5 | 66.7 | 191.2 | 190.4 |
| Total Sales Volume | 69.7 | 80.1 | 16.4 | 188.0 | 140.5 |
| Total Sales Revenue | 31.5 | 36.6 | 9.7 | 84.0 | 78.4 |
| | | | | | |
| TOTAL | | | | | |
| Production (mmboe) | 15.2 | 14.6 | 14.7 | 42.8 | 41.2 |
| Sales Volume (mmboe) | 15.3 | 14.3 | 14.4 | 42.5 | 41.0 |
| Sales Revenue (\$Am) | 405.4 | 351.2 | 374.9 | 1078.5 | 1126.3 |

| | Exploration, Delineation and Development Expenditure (\$A million) | | | | |
|-----------------------------------|--|--------------|--------------|--------------|--------------|
| | Quarter Ended | | | Year to Date | |
| | 2002 | 2002 | 2001 | 2002 | 2001 |
| | September | June | September | September | September |
| Exploration | | | | | |
| Australia | 19.0 | 11.5 | 16.2 | 46.0 | 78.2 |
| Overseas | 13.5 | 19.8 | 13.6 | 41.8 | 36.7 |
| | | | | | |
| Delineation (1) | | | | | |
| Australia | 16.0 | 12.6 | - | 42.6 | - |
| Overseas | 10.7 | 1.0 | - | 15.2 | - |
| | | | | | |
| Development (2) | | | | | |
| Australia | 115.9 | 124.5 | 111.6 | 347.0 | 326.4 |
| Overseas | 13.9 | 12.2 | 11.7 | 33.6 | 19.4 |
| Total Explor & Dev Exp | 189.0 | 181.6 | 153.1 | 526.2 | 460.7 |

(1) Delineation amounts for 2001 are included in Exploration expenditure

(2) Includes construction and fixed assets expenditure

ABBREVIATIONS

| | |
|-------|-------------------------------------|
| PJ | = petajoules |
| bbls | = barrels |
| t | = tonnes |
| boe | = barrels of oil equivalent |
| mmboe | = million barrels of oil equivalent |
| P&A | = plugged and abandoned |
| C&S | = cased and suspended |
| btu | = British Thermal units |

CONVERSIONS

| | |
|-----------------------|---------------------------------|
| Sales Gas & Ethane: | = 171.937 boe x 10 ³ |
| Crude Oil: | = 1 boe |
| Condensate (Naphtha): | = 0.935 boe |
| LPG: | = 8.458 boe |