

31 May 2005

Santos signs Indonesian gas sales agreement

Santos Limited today announced the signing of a long-term contract for the sale of gas from its 75% owned Maleo field in Indonesia to PT Perusahaan Gas Negara (PGN).

Santos (Madura Offshore) Pty Ltd, a wholly-owned Santos subsidiary and operator of the Madura Offshore PSC, has contracted to sell the entire reserves of the Maleo field generating revenue (based on the proven and probable or 2P reserves) in excess of US\$550 million (A\$700 million) over the 8 to 12 year field life.

The joint venture expects to start work shortly on the production facilities with a development capital budget of approximately US\$75 million (A\$100 million).

The Gas Sales Agreement (GSA) is subject to conditions which are expected to be fulfilled within approximately 30 days and gas production is expected to commence in the second half of 2006.

Santos' Managing Director, Mr John Ellice-Flint said "The signing of the GSA marks another milestone in the development of the Maleo field. The project is being advanced in a rapid timeframe, thanks in part to the recent Indonesian regulatory changes to reduce diesel subsidies and encourage greater use of gas.

"Importantly for our overall growth plans, it also represents another step in our international diversification and gas commercialisation strategy," he said.

The gross Maleo 2P reserves of about 240 billion cubic feet will be produced using a leased Mobile Offshore Production Unit and an 8 kilometre spur line to the under-utilised East Java Gas Pipeline that supplies Surabaya.

Under the GSA, the joint venture will supply gas at a plateau rate of up to 110 million standard cubic feet per day. Plateau production is expected to last for at least six years.

The GSA follows the Heads of Agreement signed in January 2004 and subsequent negotiations to finalise issues related to credit risk.

The Maleo gas field is located in the Madura Offshore Production Sharing Contract (PSC) and was discovered in June 2002. It is located in 58 metres of water in the Madura Strait, 140 kilometres east of the city of Surabaya in the East Java region of Indonesia.

Santos farmed into the Madura Offshore PSC following the Oyong gas and oil discovery made in the adjoining Sampang PSC in August 2001.

Participants in the Madura Offshore PSC are:

Santos (Madura Offshore) Pty Ltd (Operator)	75%
PC Madura Ltd	25%

PC Madura Ltd is a wholly owned subsidiary of Petronas Carigali Sdn Bhd. Petronas Carigali is the state-owned Malaysian petroleum exploration and production company with interests worldwide.

PGN is Indonesia's leading natural gas utility, with a significant gas distribution business in East Java. Formally entirely state-owned, PGN completed a successful partial privatisation, whereby the Indonesian Government divested 30% of its interest in the company to public shareholders. The public shares in the company are listed on the Jakarta Stock Exchange.

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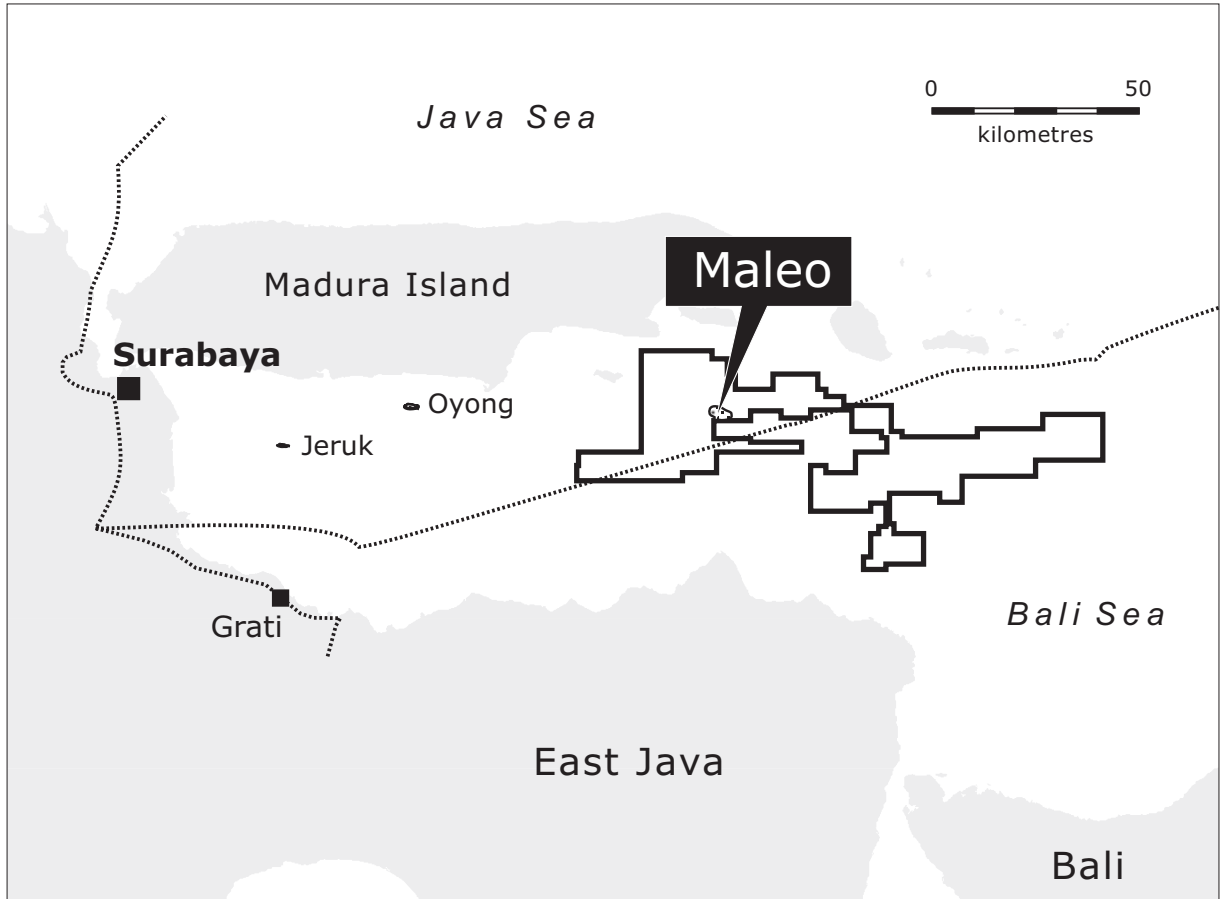
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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR)

Map attached.

Maleo Gas Sales Agreement



LEGEND

- Madura Offshore PSC
- Oil Field
- ▣ Gas Field
- ⋯ Gas Pipeline

