

News Release

Issued by Investor Relations

28 July 1997

1997 SECOND QUARTER REPORT

Second Quarter Highlights:

The following results were achieved compared with the 1996 second quarter:

- Sales revenue increased by 4.0% to \$194.9 million
- Sales volume increased by 6.0% to 10.6 million boe
- Production volume increased by 4.5% to 10.3 million boe
- 64% success rate from exploration and appraisal wells spudded.

Comment by Mr Ross Adler, Managing Director:

Increases in sales revenue, sales volume and production volume results were achieved by Santos in the 1997 second quarter in comparison with the 1996 second quarter. These results continue the upward trend in the company's performance.

Sales revenue and sales and production volumes for the first half of 1997 were all higher than those for the corresponding period in 1996. Production volume for the first half increased 5.6% to 19.9 million boe, sales revenue increased by 12.2% to \$376.2 million and sales volume increased by 10.0% to 19.8 million boe.

Expenditure on exploration and development during the quarter increased by 61.7% to \$160.1 million, reflecting the substantial growth and development program which Santos has in place. Exploration expenditure of \$51.9 million and development expenditure of \$108.2 million increased by 81.5% and 53.7% respectively.

During the first half of 1997, \$269.6 million expenditure on exploration and development was incurred representing a 67.1% increase. Exploration expenditure increased by 56.4% to \$77.1 million with development expenditure increasing by 71.9% to \$192.5 million.

The company achieved a 64% success rate from the exploration drilling program undertaken during the quarter. The first half success rate was also 64%.

Enquiries

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Quarterly Report

Issued by Investor Relations

STOCK EXCHANGE REPORT FOR QUARTER ENDING 30 JUNE 1997

(All comparisons made against 1996 Second Quarter unless otherwise indicated)

1. SALES AND PRODUCTION

Sales revenue for the 1997 second quarter increased by 4.0% to \$194.9 million. The Australian dollar product prices received for condensate/naphtha increased by 13.9% whilst the prices received for crude oil and LPG increased marginally. The average gas and ethane prices received remained unchanged. Sales gas unit prices received in the United States and the United Kingdom exceeded those received in Australia in Australian dollar terms.

Prices received in US dollars for crude oil and LPG were lower whilst condensate/naphtha prices increased slightly from the corresponding period in the second quarter.

Production volumes for the 1997 second quarter increased by 4.5% to 10.3 million boe.

Gas production increased by 9.5% to 42.8 petajoules (PJ). This reflects ethane concentrate sales to ICI Australia and production from East Spar, with Santos' acquisition of WMC's 30% interest contributing 0.9 PJ to the overall level of production.

Crude oil production decreased by 9.7% during the quarter. A 46.4% decline in production from the Timor Sea including the cessation of production from the Skua field accounted for 76.2% of the overall decline in production. The natural decline of fields in other areas contributed to the balance.

Naphtha/condensate production increased by 11.1%. Condensate production from East Spar (87.9 thousand barrels) more than offset the reduced level of production in Queensland. The assets acquired from WMC contributed 58.6 thousand barrels of condensate.

LPG production decreased by 8.1%. The decrease in production from the Surat Basin was a primary contributor to this result.

For the first half of 1997, total sales revenue of \$376.2 million was recorded from sales volume of 19.8 million boe. This compared with sales revenue of \$335.4 million on sales volume of 18.0 million boe achieved during the first

half of 1996. Production over the same period increased by 5.6% to 19.9 million boe.

2. EXPLORATION AND DEVELOPMENT

Total expenditure on exploration and development during the second quarter was \$160.1 million which represented a 61.7% increase from the corresponding quarter in the previous year (\$99.0 million).

Exploration Activity

Exploration expenditure during the quarter was \$51.9 million, an increase of 81.5% from the 1996 second quarter.

Over one third of this expenditure was incurred in South Australia where an expanded exploration program is being undertaken in the Cooper/Eromanga Basins.

South Australia

Santos spudded fifteen wells during the quarter, twelve gas wells and three oil wells.

Well *	Target	Result
Moomba 86	Gas	Cased and Suspended
Vatore East 1	Gas	Cased and Suspended
Goyder 2	Gas	Cased and Suspended
Hamlyn 1	Oil	Plugged and Abandoned
Fortanna 1	Gas	Cased and Suspended
Aragorn 1	Oil	Plugged and Abandoned
Muscat 2	Gas	Plugged and Suspended
Nephrite South 1	Gas	Cased and Suspended
Fangorn 1	Oil	Plugged and Abandoned
Coonatie 4	Gas	Drilling
Merrimelia 37	Gas	Cased and Suspended
Pothos 1	Gas	Plugged and Abandoned
Mataro 1	Gas	Plugged and Abandoned
Hackett 1	Gas	Drilling
Dorodillo 1	Gas	Drilling

* Chronological Order

Goyder 2 and Nephrite South 1 were new field discoveries and Merrimelia 37 was a new pool discovery. Subsequent to the completion of the second quarter Hackett 1 and Dorodillo 1 were cased and suspended as future gas producers. Dorodillo 1 was also a new field discovery.

All three oil exploration wells were plugged and abandoned.

302 kilometres of 2D seismic and 217 square kilometres of 3D seismic were acquired in the Cooper Basin.

Victoria

The Gordon 1 gas exploration well was spudded by Santos in the Otway Basin during the quarter, but was subsequently plugged and abandoned.

Queensland

Seven gas wells were spudded by Santos during the quarter.

Well *	Target	Result
Ashby North 1	Gas	Cased and Suspended
Ghina 1	Gas	Cased and Suspended
Wolgolla East 1	Gas	Plugged and Abandoned
Thoar 2	Gas	Cased and Suspended
Beeree 1	Gas	Drilling
Tartulla 5	Gas	Drilling
Kappa 1	Gas	Drilling

* Chronological Order

Subsequent to the completion of the second quarter, Beeree 1 and Kappa 1 were cased and suspended as future producers whilst Tartulla 5 was plugged and abandoned. Four wells (Ashby North1, Ghina 1, Beeree 1, Kappa 1) were new field discoveries.

No oil exploration wells were drilled during the quarter.

Northern Territory

No exploration or appraisal wells were drilled during the quarter.

Offshore Australia

Three exploration wells were spudded during the quarter:

- 1) The Pitcairn 1 oil exploration well located in the Carnarvon Basin (WA-191-P) was a sub-commercial oil discovery and was subsequently plugged and abandoned.
- 2) Hingkip 1 located in the Timor Gap (ZOCA 91-12) which targeted oil and gas was cased and suspended as a future gas producer.
- 3) Krill 1 located in the Timor Gap (ZOCA 91-01) was still drilling at the end of the quarter. It was subsequently reported that Krill 1 would be plugged and abandoned.

In the Carnarvon Basin 643 kilometres of 2D seismic and 666 square kilometres of 3D seismic were acquired. An additional 88 kilometres of 2D seismic were acquired in the Browse Basin.

Americas and Europe

USA

Santos USA Corp participated in the drilling of seven gas exploration wells.

Well *	Target	Result
Thomson Barrow C2	Gas	Cased and Suspended
Thomson Barrow C3	Gas	Cased and Suspended
Thomson Barrow C4	Gas	Cased and Suspended
J.W. Hughes FLP #1	Gas	Cased and Suspended
Thomson Barrow C11	Gas	Cased and Suspended
Thomson Barrow C12	Gas	Cased and Suspended
Watts Ranch #1-25	Gas	Drilling

* Chronological Order

The gas exploration well Kitchell #1-15 which continued from the previous quarter was suspended.

UK

No exploration or appraisal wells were drilled during the quarter.

South East Asia

No exploration or appraisal wells were drilled during the quarter.

Development

Development expenditure was \$108.2 million, an increase of 53.7% from the 1996 second quarter.

South Australia

In South Australia, development work in the Cooper Basin continued in order to meet future gas demand.

Queensland

In Queensland, development work associated with the Ballera Gas Plant and further gas field development projects associated with meeting South East Queensland demand continued. The Stokes field was brought on line in May and the Ballera West 1, Yanda 10, 12 and 8 development wells were completed and tied into the Ballera Gas Centre.

Offshore Australia

The Stag oil field development project in the Carnarvon Basin incurred significant expenditure during the quarter. Production from this field is expected to commence in the second quarter of 1998. Finalisation work on the East Spar gas and condensate development project also continued during the quarter.

Papua New Guinea

In Papua New Guinea the Gobe Development Project continued. Development remains on schedule with production set to commence during the second quarter of 1998.

America and Europe

USA

In the USA two oil development wells were completed during the quarter. The WD152A-3 STK# 2 well was placed onstream late in the quarter with the WD152A-19 STK#1 (MC357#4) well due to be placed onstream early in the third quarter.

UK

The Banff oil field development project commenced with the first water injection well successfully drilled and tested. Production from the Banff field is expected to commence in mid 1998.

PRODUCTION SUMMARY

SECOND QUARTER 1997 VS SECOND QUARTER 1996

	Sales Gas (a)		Crude Oil		Condensate (Naphtha)		LPG		2nd Quarter Total		Year to Date Total	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	PJ		'000 bbls		'000 bbls		'000 t		'000 boe		'000 boe	
South Australia - Cooper/Eromanga	26.6	25.0	690.7	680.6	367.4	368.1	51.6	52.9	691	5768	11552	10732
Queensland & Northern Territory												
South West Queensland	6.9	3.9	603.3	610.3	157.1	146.4	14.2	14.9	603	1552	2327	2937
Surat/Denison	3.0	5.0	49.0	46.6	15.0	50.6	2.2	6.2	49	47	650	1959
Amadeus	2.6	2.2	154.3	167.3	-	-	-	-	154	545	762	1080
Offshore Australia												
Timor Sea	-	-	170.7	318.2	-	-	-	-	171	318	338	588
Canning	-	-	-	4.6	-	-	-	-	-	5	-	21
Carnarvon	1.4	-	28.2	35.8	87.9	-	-	-	28	36	380	77
Indonesia	-	-	68.9	77.2	-	-	-	-	69	77	138	153
Americas & Europe												
USA	1.4	1.7	41.2	59.3	17.7	15.7	-	-	41	372	412	708
UK	0.9	1.3	-	-	1.5	1.4	-	-	-	222	176	603
Quarter Total	42.8	39.1	1806.3	1999.9	646.6	582.2	68.0	74.0	10344	8941	16735	18858
First Half Total	82.1	73.3	3553.4	3975.9	1228.5	1128.8	130.4	144.5	19920	18858		

(a) Includes ethane

ABBREVIATIONS

PJ = petajoule
bbls = barrels
t = tonnes
boe = barrels of oil equivalent

CONVERSIONS

Sales Gas: 1 PJ = 171.937 boe x 10³
Crude Oil: 1 barrel = 1 boe
Condensate (Naphtha): 1 barrel = 0.935 boe
LPG: 1 tonne = 8.458 boe

NOTE:

The figures quoted in this report fully incorporate all production, sales, exploration and development activities in respect of the petroleum interest of WMC acquired with effect from January 1, 1997.

STATISTICAL SUMMARY

1. SALES REVENUE & SALES VOLUMES

SALES REVENUE	1997 First Half			1996 First Half		
	1ST QTR	2ND QTR	Year to Date	1ST QTR	2ND QTR	Year to Date
Total Sales Revenue (\$A million)	181.3	194.9	376.2	148.0	187.4	335.4
Oil Price (Avg \$A barrel)	30.31	26.22	28.01	26.47	26.05	26.23
SALES VOLUMES						
Gas (PJ) (a)	38.9	42.8	81.7	32.4	38.1	70.5
Crude Oil ('000 bbls)	1512.2	1944.0	3456.2	1477.4	2045.9	3523.3
Naphtha (Condensate) ('000 bbls)	714.6	665.5	1380.1	239.6	947.5	1187.1
LPG ('000 t)	40.1	77.5	117.6	80.0	67.7	147.7
Total Sales Volumes (million BOE)	9.2	10.6	19.8	8.0	10.0	18.0

(a) Includes Ethane

2. EXPLORATION AND DEVELOPMENT EXPENDITURE (\$A million)

EXPENDITURE	1997 First Half			1996 First Half		
	1ST QTR	2ND QTR	Year to Date	1ST QTR	2ND QTR	Year to Date
AUSTRALIA:						
Exploration	22.2	38.2	60.4	18.0	25.6	43.6
Development	81.1	102.9	184.0	39.4	66.1	105.5
Total Australia	103.3	141.1	244.4	57.4	91.7	149.1
OVERSEAS						
Exploration	3.0	13.7	16.7	2.7	3.0	5.7
Development	3.2	5.3	8.5	2.2	4.3	6.5
Total Overseas	6.2	19.0	25.2	4.9	7.3	12.2
Total Exploration & Development Expenditure	109.5	160.1	269.6	62.3	99.0	161.3

NOTE:

The figures quoted in this report fully incorporate all production, sales, exploration and development activities in respect of the petroleum interest of WMC acquired with effect from January 1, 1997.