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Santos

News Release

Issued by Investor Relations

25 July 2001

2001 Second Quarter Report

Second Quarter Highlights

The following results were achieved compared with the 2000 second quarter

- Sales revenue increased by 12% to a record \$423 million.
- The oil price averaged A\$51.06 (US\$27.69) per barrel [2000: A\$44.30 (US\$26.52) per barrel].
- Sales volumes were steady at 14.6 million barrels of oil equivalent (boe).
- Crude oil production was 17% above the 2001 first quarter.
- Capital expenditure increased to \$160.3 million from \$84.4 million, with increased spending on both exploration and development.

Comment by Mr John Ellice-Flint, Managing Director

“The highlight of the second quarter was the record revenue of \$423 million, bringing first-half revenue to \$751 million from \$712 million in the same period a year ago. The record level of revenue in the quarter benefited from the increase in crude oil production and the strong realised Australian dollar oil price”.

For clarification contact:

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

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Quarterly Report

Issued by Investor Relations

STOCK EXCHANGE REPORT FOR QUARTER ENDING 30 JUNE 2001

(All comparisons made against 2000 second quarter unless otherwise indicated)

1. SALES AND PRODUCTION

Sales revenue for the quarter increased by 12% to a record \$423 million from A\$377 million, reflecting the higher prices achieved for all products. Australian dollar realised prices for crude oil, condensate and LPG increased by 15.3%, 29.4% and 14.0%, respectively. The gas price realised for US production was A\$8.88 per gigajoule.

Sales volumes were 14.6 million boe, steady on the 2000 second quarter and up 22.5% on the 2001 first quarter.

Production volumes were 13.7 million boe, 4% below the 2000 second quarter.

Production of sales gas and ethane was 2% below the 2000 second quarter due to lower South Australian Cooper Basin production. Total sales of sales gas in eastern and southern states were slightly above the 2000 second quarter.

Crude oil production was below the 2000 second quarter but increased by 17% against the 2001 first quarter.

Oil production from the South Australian Cooper Basin was shut-in from 16 June to 6 July as a result of the Moomba incident.

Legendre commenced production on 17 May 2001 and produced 215,000 barrels (Santos share) in the 2001 second quarter.

Stag production averaged 19,796 bopd (10,723 bopd Santos share) up from 17,513 bopd in the first quarter. Elang/Kakatua production averaged 12,699 bopd (2,721 bopd Santos share) compared with 15,583 bopd (3,339 bopd Santos share) in the 2001 first quarter.

Barrow Island averaged 10,804 bopd (3,087 bopd Santos share) compared with 11,107 bopd (3,173 bopd Santos share). Thevenard Island production is expected to increase from an average of 8,043 bopd in the 2001 second quarter as the Roller and Skate fields returned to production in early May following the repair and upgrade of the Roller pipeline.

2. EXPLORATION AND DEVELOPMENT

Total expenditure on exploration and development during the second quarter was \$160.3 million, compared with \$84.4 million in the comparable 2000 quarter.

EXPLORATION ACTIVITY

Exploration expenditure increased by \$31 million to \$51.1 million compared with \$20.1 million in the comparable period last year. This reflected increased activity in all business units.

South Australia Business Unit

The South Australian Business Unit spudded 5 wildcat and 1 appraisal wells achieving a 50% success rate in the 2001 second quarter. Three wells were cased and suspended as future gas producers. In the South Australian Cooper Basin 487 square kilometres of 3D seismic was acquired.

<u>Well</u>	<u>Location</u>	<u>Target</u>	<u>Result</u>
Moomba 138	Cooper Basin	Oil Wildcat	Plugged & Abandoned
Mootanna 1	Cooper Basin	Oil Wildcat	Plugged & Suspended
Tirrawara 71	Cooper Basin	Gas Appraisal	Cased & Suspended
Castalia 1	Cooper Basin	Gas Wildcat	Plugged & Abandoned
Lavers 1	Otway Basin	Gas Wildcat	Cased & Suspended
Naylor 1	Otway Basin	Gas Wildcat	Cased & Suspended

Queensland and Northern Territory Business Unit

The Queensland and Northern Territory Business Unit spudded 2 wildcat and 4 appraisal wells in the second quarter. Five wells were cased and suspended as future gas producers. The business unit achieved an 83% success rate during the quarter. No seismic was acquired in the quarter.

<u>Well</u>	<u>Location</u>	<u>Target</u>	<u>Result</u>
Tellus 1	Cooper Basin	Gas Wildcat	Cased & Suspended
Ranger South 1	Cooper Basin	Gas Wildcat	Plugged and Abandoned
Scotia 11	Bowen Basin	Gas Appraisal	Cased & Suspended
Scotia 12	Bowen Basin	Gas Appraisal	Cased & Suspended
Scotia 13	Bowen Basin	Gas Appraisal	Cased & Suspended
Downlands East 1	Surat Basin	Gas Appraisal	Cased & Suspended

Offshore Australia Business Unit

The Offshore Australia Business Unit spudded 2 wildcat wells during the quarter.

During the quarter Santos as operator (66% Santos share) of the Corowa 1 exploration well announced a new oil discovery that flowed from an 11 metre interval in the Barrow Group Sand at 5,276 bopd and 2.28 million cubic feet of gas per day. The exploration well encountered no oil water contact. The structure will be further appraised to test its hydrocarbon potential. Harpy 1 was plugged and abandoned.

During the quarter 734 square kilometres of 3D seismic was acquired in TP/7 (1-3), TP/7 (4) and T/L2 as part of a larger seismic survey program.

USA

During the quarter Santos US Corp spudded the Henderson 1 wildcat well in the South Texas Frio Trend. Henderson 1 was cased and suspended as a future gas producer and is awaiting fracture stimulation and further testing.

South East Asia Business Unit

The business unit spudded 4 wildcat wells during the quarter. Oyong 1 reached a total depth of 1,068 metres intersecting a 110 metre gross gas column and a gross oil column up to 38 metres in the Mundu formation. Hole stability problems prevented the well from reaching its target depth of 2,280 m and was suspended. Oyong 2 spudded on 10 June with the objective of evaluating the hydrocarbon column intersected in the Mundu formation discovered by Oyong 1 and of penetrating and evaluating deeper objectives not reached by Oyong 1. Oyong 2 is currently drilling towards the deeper primary objectives.

Anggur Utara 1 and Anggur 2 were follow-up wells to the Anggur 1 well in Sampang PSC. Anggur Utara 1 was plugged and abandoned after reaching the target depth of 1,110 metres. Anggur 2 sustained an uncontrolled water blowout from a depth of 409 metres and was subsequently abandoned by the drilling rig. In PNG 20.34 kilometres of seismic was acquired in PPL 206 in anticipation of confirming a well location for drilling in the 2001 fourth quarter and 9.8 kilometres of 2D seismic was acquired in PPL 190.

Second Half Exploration Program Key Wells

Well	Target	Basin	Permit	Santos Interest	Expected Spud Date (quarter)
Patriot 1	Oil	Carnarvon	WA-1-P	21.92%	P&A (dry)
Norfolk 1	Oil	Carnarvon	WA-191-P	33.4%	4Q
Marabou 1	Oil	Browse	WA-283-P	27.5%	3Q
Carbine 1	Oil	Browse	WA-283-P	27.5%	4Q
Bosavi 1	Oil	Papuan Basin, PNG	PPL-206	30.50%	4Q
Oyong 2	Gas/Oil	East Java	Sampang PSC	45%	Drilling
Anggur 3	Gas	East Java	Sampang PSC	45%	3Q
WC 272	Gas	GOM Offshore	West Cameron	50%	4Q
WC 276	Gas	GOM Offshore	West Cameron	50%	4Q
Sierra Nevada	Gas	South Texas	Brazoria County	40%	3Q
St Anthony	Gas	South Texas	Brazoria County	40%	3Q
Angelita 1	Gas	South Texas	San Patricio County	25%	4Q
Park 1	Gas	South Texas	San Patricio County	25%	4Q
North Odem 1	Gas	South Texas	San Patricio County	25%	4Q
Queen City North	Gas	South Texas	Duval County	47%	4Q
Karnak 1	Gas	Cooper/Eromanga	ATP-259-P	78.21%	Drilling
Crows Nest 1	Gas	Cooper/Eromanga	PPL-141	59.75%	Drilling
Wellington 1	Gas	Cooper/Eromanga	ATP-259-P	60.06%	4Q
Tardrum 1	Gas	Surat Basin	ATP-685-P	100%	C&S (gas)

DEVELOPMENT ACTIVITY

Development expenditure increased to \$109.2 million, compared with \$64.3 million in the corresponding period last year. Increased development activity in the Offshore Australia business unit was the major contributor to the increase in spending.

South Australia Business Unit

Development activity associated with the South Australian Cooper Basin gas program continued during the quarter. Eight development wells were drilled and subsequently cased and suspended as future gas producers, 22 development wells were brought on line as producing wells and 32 wells were fracture stimulated to enhance productivity. One oil development well was drilled during the quarter and cased as a future producer.

Queensland and Northern Territory Business Unit

Development activity was focussed on the south-west Queensland gas program where five development wells were drilled and one development well was completed. During the quarter three wells were drilled, completed and placed on production

In Eastern Queensland three wells were drilled and cased in preparation for completion and fracking. Work commenced on the Scotia plant and facilities.

Offshore Australia Business Unit

During the quarter Bayu/Undan was the major focus of development activity.

Work was also undertaken on the Roller pipeline, Legendre and Stag. The Legendre operator expects production to increase to around 50,000 bopd (11,250 Santos share) during the third quarter. Stag 23H was drilled and completed during the quarter and production began on 15 May at a rate of 3,800 bopd (2,060 Santos share).

South East Asia Business Unit

In PNG the SE Gobe 10 infill development well is in progress.

USA

The Runnells 5 development well (appraisal of the Runnells 3 discovery) discovered new fault block reserves and at the end of the month was drilling ahead to deeper objectives.

3. MOOMBA UPDATE

A temporary pumping facility has been commissioned and the rebuild of the pumping station is well advanced. Santos expects to have fully reinstated the pumping station towards the end of August.

To maximise gas processing through the Moomba plant, Santos has focused production from the field on dry gas. Santos expects to extract liquids rich gas at normal levels from the field once the liquids pumping facility is reinstated.

South Australian oil production recommenced on 6 July. It is estimated that the total reduction in production due to the incident is 260,000 barrels gross (156,000 barrels Santos share). This will be reflected in third quarter sales.

It is estimated that the total reduction of LPG available for sale to customers to 23 July is approximately 50,000 tonnes gross (30,000 tonnes Santos share). This will also be reflected in third-quarter sales.

4. HEDGING

Since the last quarterly report, expenditure arising from the Bayu/Undan gas liquids project was funded by further drawdowns of US dollar debt. This debt is to be repaid from US dollar revenues from the Bayu/Undan project expected in 2004. In addition 150,000 barrels of liquids sales in the third quarter were hedged using a collar with a floor of US\$28.00 and a cap of US\$30.25.

FORWARD HEDGING -As at 30 June 2001					
	2001*	2002	2003	2004	2005
Commodity					
Forwards (Mmboe)	1.05				
Avg. price US\$/bbl	25.79				
Collars (Mmboe)	0.15				
Avg. price US\$/bbl- floor/cap	28.00/ 30.25				
Total (Mmboe)	1.2				
Avg. price US\$/bbl	26.07				
% sales	11				
Currency					
Forwards (US\$m)	88	24			
Avg. exchange rate	0.5632	0.5205			
Collars (US\$m)	12				
Avg. exchange rate- floor/cap	0.6010/ 0.6250				
Debt (US\$m)	30	51	51	52	21
Avg. exchange rate	0.7078	0.7078	0.7078	0.6191	0.7963
Total (US\$m)	130	75	51	52	21
Avg. exchange rate	0.5945	0.6348	0.7078	0.6191	0.7963
% revenue	41	19	14	14	6

* Outstanding hedging positions for the remainder of 2001.

STATISTICAL SUMMARY

1. SALES REVENUE & SALES VOLUMES

SALES REVENUE	2001 First Half			2000 First Half		
	1ST QTR	2ND QTR	Year To Date	1ST QTR	2ND QTR	Year To Date
Total Sales Revenue (\$A million)	328.5	422.9	751.4	335.6	376.8	712.4
Oil Price (Avg \$A barrel)	51.15	51.06		42.83	44.30	
SALES VOLUMES						
Sales Gas & Ethane (PJ)	50.0	55.5	105.5	49.1	56.0	105.1
Crude Oil ('000 bbls)	2330.4	3417.3	5747.7	3193.7	3451.2	6644.9
Naphtha (Condensate) ('000 bbls)	592.5	1105.3	1697.8	951.8	872.1	1823.9
LPG ('000 t)	51.6	72.5	124.1	51.2	84.0	135.2
Total Sales Volumes (million BOE)	11.9	14.6	26.5	13.0	14.6	27.6

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

EXPENDITURE	2001 First Half			2000 First Half		
	1ST QTR	2ND QTR	Year To Date	1ST QTR	2ND QTR	Year To Date
AUSTRALIA:						
Exploration	29.4	32.6	62.0	12.1	13.9	26.0
Development	108.1	106.7	214.8	62.6	65.2	127.8
Total Australia	137.5	139.3	276.8	74.7	79.1	153.8
OVERSEAS						
Exploration	4.6	18.5	23.1	3.8	6.2	10.0
Development	5.2	2.5	7.7	0.6	(0.9)	(0.3)
Total Overseas	9.8	21.0	30.8	4.4	5.3	10.0
Total Exploration & Development Expenditure	147.3	160.3	307.6	79.1	84.4	163.8

PRODUCTION SUMMARY

SECOND QUARTER 2001 VS SECOND QUARTER 2000

	Sales Gas & Ethane		Crude Oil		Condensate (Naphtha)		LPG		Quarter Total		Year to Date Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	PJ		'000 bbls		'000 bbls		'000 t		'000 boe		'000 boe	
South Australia												
Cooper/Eromanga	23.0	24.4	469.9	490.3	330.3	358.6	38.7	42.6	5071	5381	10264	10549
Otway Basin	1.8	1.4			17.7	15.3			341	255	658	456
Queensland & Northern Territory												
South West Queensland	17.2	17.3	344.3	362.1	229.7	233.0	19.4	23.9	3675	3757	6890	7284
Surat/Denison	2.6	2.7	29.7	26.7	6.3	3.8	1.1	-	480	494	971	990
Amadeus	2.6	2.5	74.6	97.8					519	528	1072	1060
Offshore Australia												
Timor Sea			57.2	68.4					57	68	124	163
Timor Gap			247.6	386.8					248	387	549	698
Carnarvon	5.4	5.5	1735.7	1893.4	302.1	270.8			2958	3092	5436	5893
South East Asia												
Papua New Guinea			139.8	88.5					140	89	253	191
Americas & Europe												
USA	0.8	0.8	8.3	21.3	7.3	4.4			157	163	312	395
Quarter Total	53.4	54.6	3107.1	3435.3	893.4	885.9	59.2	66.4	13646	14213	26529	27678
First Half Total	105.1	105.9	5756.1	6758.0	1753.2	1,703.3	123.7	132.3	26529	27678		