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Santos

News Release

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2001 Third Quarter Activities Report

The third quarter was a solid one for the Company in terms of production, sales and exploration.

Total production was 14.7 million barrels of oil equivalent, slightly below the 2000 third quarter.

Sales revenue was \$375 million, 4% below the 2000 third quarter reflecting a 2.4% drop in the realised oil price and a 1.9% fall in sales volumes.

Oil production was 13.5% above the 2001 second quarter due to increased production from the Legendre oil field.

Third quarter production and sales were adversely impacted by the Moomba incident that reduced production by 0.523 mmbob. The Company still expects to be in a position to recognise recoveries from insurance claims in the full year results.

Santos' exploration efforts continued to deliver encouraging results especially in the Cooper Basin with the Wellington 1 and Crowsnest 1 discoveries.

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

Quarterly Report

Issued by Investor Relations

STOCK EXCHANGE REPORT FOR QUARTER ENDING 30 SEPTEMBER 2001

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

1. PRODUCTION

Total production volumes fell by 1.2% to 14.7 million barrels of oil equivalent (mmboe) from 14.9 mmboe largely as a result of the 16 June Moomba incident.

Sales gas and ethane production decreased by 0.5% to 57 Petajoules (PJ) (9.787 mmboe) due to lower Cooper Basin production, largely offset by increased gas production in the Otway Basin, East Spar, and United States. South Australia Cooper Basin sales gas and ethane production fell 13.9% to 23.6 PJ due in part to the June 16 Moomba incident and lower field productivity. The reduction in South Australia Cooper Basin production was partially offset by increased production from southwest Queensland of approximately 2 PJ in the third quarter.

Oil production in the third quarter increased by 13.5% to 3.528 million barrels compared with the 2001 second quarter result. During the quarter Legendre oil production averaged 26,600 barrels of oil per day (bopd) (6,010 bopd Santos share).

The Legendre gas re-injection compressor has encountered operational difficulties and has been returned to the manufacturer for offsite repair. This has resulted in average production of 25,000 bopd (5,650 bopd Santos share) since 17 October. The operator expects production to return to above 35,000 bopd from early November.

Oil production from the South Australian Cooper Basin rose by 4.4% due to Moomba 136 coming online, despite oil production being shut-in for over 20 days due to the Moomba incident. Elang 2 has been shut-in since mid August due to heat exchanger repair work. Elang 2 is expected to be back on stream by mid November.

Condensate production declined by 8.8% to 0.882 million barrels (0.825 mmboe) due to a 30.1% fall in South Australia Cooper Basin production as a result of the change in the field mix to drier gas being used during the liquids pumping station rebuild. Higher production from Queensland, Otway Basin and the United States helped reduce the impact of low South Australian Cooper Basin condensate production. LPG production decreased by 1.5% to 66.7 thousand tonnes (0.658 mmboe). A significant portion of Cooper Basin LPG production during the third quarter was flared or redirected into the gas supply.

The Moomba liquids pumping station was completely back on stream on 19 August and has been incident free since that date. Total production (Santos share) that was required to be shut-in as a result of the Moomba incident is estimated to be approximately 0.523 mmboe (0.254 mmboe sales gas and ethane, 0.154 mmboe crude oil, 0.042 mmboe condensate and 0.074 mmboe LPG). Approximately 0.351 mmboe of LPG produced could not be processed and was flared or spiked into the sales gas stream.

2. SALES VOLUMES AND REVENUES

Sales volumes during the third quarter were 14.4 mmboe, a decline of 1.9% when compared with the 2000 third quarter. The decline in sales volumes largely reflects the 73.5% decline in LPG sales and the 10.3% decline in condensate sales due to the Moomba incident. Increased gas and ethane and crude sales volumes partly compensated for the lower LPG and condensate sales.

Sales revenues declined to A\$375 million, 4.1% lower than the 2000 third quarter. The drop in sales revenue reflects the decline in LPG and condensate sales. The impact of lower production was reduced due to the positive impact of LPG prices where, quarter on quarter, LPG prices rose by 20%. Crude oil sales revenue remained steady at \$156.7 million with the 2.5% increase in sales volumes compensating for the decrease in the average A\$ realised oil price which declined by 2.4% to A\$47.23 per barrel. Gas sales revenue grew by 6.2% to A\$168.9 million driven by a combination of higher sales volumes (+1.5%) and prices (+4.8%).

Since the last quarterly report Santos' commodity hedging has progressively rolled off as contracts have expired. Oil and liquids hedging has declined to 7% of remaining 2001 production from 11% at the end of the second quarter. 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 and 2005.

FORWARD HEDGING -As at 30 September 2001					
	2001*	2002	2003	2004	2005
Commodity					
Forwards (mmbœ)	0.38				
Avg. price US\$/bbl	23.91				
% sales	7				
Currency					
Forwards (US\$m)	50	24			
Avg. exchange rate	0.5632	0.5205			
Collars (US\$m)	7				
Avg. exchange rate- floor/cap	0.6010/ 0.6250				
Debt (US\$m)	17	51	51	55	32
Avg. exchange rate	0.7078	0.7078	0.7078	0.6127	0.6718
Total (US\$m)	74	75	51	55	32
Avg. exchange rate	0.5945	0.6348	0.7078	0.6127	0.6718
% revenue	40	19	14	15	9

* Outstanding hedging positions for the remainder of 2001.

3. EXPLORATION

Expenditure on exploration increased by \$6.0 million to \$29.8 million compared with \$23.8 million in the same period last year.

Third Quarter Exploration Activity

Well	Basin	Target	License	Santos Interest	Result
Karnak 1	Cooper/Eromanga	Gas Exploration	ATP 259	78.2064	C&S
Crowsnest 1	Cooper/Eromanga	Gas Exploration	PPL 141	59.75	Drilling
Tardrum 1	Surat Basin	Gas Exploration	ATP 685 P	100.00	C&S
Churchie 1	Surat Basin	Gas Exploration	ATP 471P	51.00	C&S
Wellington 1	Cooper/Eromanga	Gas Exploration	PL 131	60.0625	C&S
Patriot 1	Dampier Basin	Oil Exploration	WA -1-P	22.56	P&A
Anggur 3	East Java	Gas Exploration	Sampang PSC	45.00	P&A
WC 276-1 ST 1	Gulf of Mexico	Gas Exploration	WC 276	50.00	P&A
WC 272 1	Gulf of Mexico	Gas Exploration	WC 272	50.00	P&A
Henderson 1	South Texas	Gas Exploration	Mountainside	25.00	Completed and tested

During the third quarter one wildcat oil exploration well, Patriot 1 (WA-1-P, Santos share 22.56%), was drilled in offshore Australian waters. In Indonesia Oyong 2, a follow-up well to the Oyong 1 discovery was drilled intersecting a 110 metre gas column and a 35 metre oil column. Testing of the Oyong 1 discovery between the interval 927 metres and 931 metres flowed oil at 1,132 bopd and associated gas at 2.5 million cubic feet a day (mmcf/d). Further testing between the interval 855 metres and 873 metres flowed gas at 12.4 mmcf/d through a 19-millimetre choke. Anggur 3, a gas exploration well spudded on 24 August and was plugged and abandoned with the rig released on 10 October. During the third quarter Santos USA participated in two offshore and one onshore wildcat gas exploration well. The two wells, West Cameron 272-1 and West Cameron 276-1 ST1 were plugged and abandoned. This drilling activity completes the re-positioning of the United States exploration portfolio to South Texas.

Onshore exploration activity was mainly focused on Queensland where four exploration wells were spudded and four gas discoveries were made during the quarter. The most significant were the Wellington 1 stratigraphic trap discovery in southwest Queensland and Churchie 1 in the Surat Basin. Wellington 1 was cased and suspended as a Toolachee Formation gas producer.

During the third quarter 572 square kilometres of 3D seismic (194 km² in South Australia Cooper Basin and 378 km² in southwest Queensland) was acquired in onshore Australia and 128 square kilometres in the United States. In the year to date Santos has acquired 2,542 kilometres of 3D seismic and 47 kilometres of 2D seismic.

During the quarter Santos farmed-in to three new permits. In the United States, Santos USA acquired a 40% interest in the Lafite-Allen Dome prospect from Esenjay Exploration Inc. In Indonesia Santos acquired a 75% interest and operatorship in the Madura PSC from Talisman (Madura) Ltd and in Australia Santos acquired a 50% interest and operatorship in and offshore Otway Basin permit (VIC/P44) from Strike Oil NL.

2001 Fourth Quarter Exploration Wells

Well	Basin	Target	Licence	Santos Interest	Expected Spud Date (quarter)
Bootes Creek 1	Denison Trough	Gas Exploration	ATP 337 P	50%	7 Oct 2001 (drilling)
Lafite-Allen Dome (2 wells)	Gulf of Mexico	Gas Exploration	Brazoria County	40%	4Q
Moomba 153	Cooper Basin	Oil Exploration	PPL 9	97.9%	8 Oct 2001 (drilling)
Carbine 1	Browse Basin	Oil Exploration	WA 283-P	27.5%	4Q
Marabou 1	Browse Basin	Oil Exploration	WA 281-P	27.5%	4Q
Bosavi 1	Papuan Basin, PNG	Oil Exploration	PPL-206	30.5%	4Q (may slip to 1Q 2002)

4. DEVELOPMENT

During the third quarter Santos drilled 28 appraisal and development wells and achieved a 87.5% success rate. Development expenditure increased to \$123.3 million compared with \$83.8 million in the corresponding quarter last year. Higher development expenditure reflects the company's ongoing development drilling program in both onshore and offshore Australia and the United States. Other major contributors were the major contributors to the increase in spending were the Bayu/Undan project and the Legendre oil field.

Third Quarter Development Activity

Well	Basin	Target	License	Santos Interest	Result
Moomba 139	Cooper/Eromanga	Gas Development	PPL 7	59.75	C&S
Moomba 145	Cooper/Eromanga	Gas Development	PPL 7	59.75	C&S
Merrimelia 42	Cooper/Eromanga	Gas Development	PPL 17	59.75	C&S
Moomba 142	Cooper/Eromanga	Gas Development	PPL 7	59.75	C&S
Swan Lake 5	Cooper/Eromanga	Gas Development	PPL 101	59.75	C&S
Moomba 147	Cooper/Eromanga	Gas Development	PPL 7	59.75	C&S
Moomba 146	Cooper/Eromanga	Gas Development	PPL 7	59.75	C&S
Big Lake 70	Cooper/Eromanga	Gas Development	PPL 1	59.75	Drilling
Baryulah 5	Cooper/Eromanga	Gas Development	PL 131	60.0625	C&S
Hera 2	Cooper/Eromanga	Gas Development	PPL 131	60.0625	C&S
Juno 3	Cooper/Eromanga	Gas Development	PPL 131	60.0625	Drilling
Reg Sprigg 2	Cooper/Eromanga	Oil Appraisal	PPL 194	89.464	P&A
Maid of Auckland 1	Surat Basin	Oil Appraisal	PL 22	12.5	C&S
Churchie 2	Surat Basin	Gas Appraisal	ATP 471P	51.0	P&A
Scotia 14	Surat Basin	Gas Development	PL 176	100.00	C&S
Scotia 15	Surat Basin	Gas Development	PL 176	100.00	C&S
Scotia 16	Surat Basin	Gas Development	PL 176	100.00	C&S
Warinilla 8	Denison Trough	Gas Appraisal	ATP 337 P	50.00	P&A
Penryn 2	Otway - Onshore	Gas Development	PL 5	100.00	C&S
K66A	Barrow Island	Oil Development	TL 3	28.57	C&S
K44A	Barrow Island	Oil Development	L 1H	28.57	C&S
K84A	Barrow Island	Oil Development	TL 3	28.57	C&S
G27A	Barrow Island	Oil Development	TL 3	28.57	Drilling
Southeast Gobe 10	PNG	Oil Development	PDL 4	9.3938	C&C
Geoghagen 1	USA Onshore	Gas Development	Cuatro de Julio	47.00	C&S
Donato Serna iAt 2	USA Onshore	Gas Development	Cuatro de Julio	47.00	C&S
Runnells 5	Grand Slam Texas	Gas Appraisal	Grand Slam Texas	29.1	Producing
Runnells 7	Grand Slam Texas	Gas Appraisal	Grand Slam Texas	29.1	Drilling

In the Cooper Basin development activity was mainly focussed on the gas program. Development activity included the drilling of one appraisal and 11 development wells. Twenty nine wells were completed and placed on production and thirteen wells were fracture stimulated to enhance productivity. Four compression projects were completed and commissioned during the quarter. Included in development activity was the continuation of the major development program undertaken in the Moomba North field where a further five wells were drilled.

In Eastern Queensland six wells were drilled and cased and the fracking and completions commenced. The Scotia Coal Seam Methane project remains on schedule and on budget. Plant construction is currently underway in preparation for first commissioning gas on 1 April 2002. All initial development wells have been drilled, establishing deliverability exceeding contractual requirements.

In the Otway Basin one development well was bought on line (Penryn 2), the Heytesbury plant upgrade began and pre-construction work on the Western pipeline commenced.

Development activity in Santos' offshore operations was mainly focussed on the Bayu/Undan project. Other major development activity involved the commissioning of the gas injector compressor for the Legendre oil field to enable increased production rates. During the quarter the Barrow Island Windalia infill-drilling program was initiated. At the end of the quarter, four of the eight planned wells had been drilled.

In the United States, Runnells 5 was drilled and incurred a kick while cementing casing. The well was subsequently repaired, sidetracked and completed on 4 August 2001. First sales from Runnells 5 occurred on 20 August. Runnells 7 spudded in September is currently drilling ahead at a depth of 3,676 metres and is expected to reach proposed total depth of 4,450 metres mid November. During the quarter Geoghagen 1 & Donato Serna A-2 were drilled and first sales for both occurred during the quarter at a combined rate of 243 barrels of condensate per day and sales gas at 8.8 mmcf/d.

Production, Sales and Revenue

	<i>Quarter ended</i>			<i>9 Months To</i>	
	<i>Sep-01</i>	<i>Jun-01</i>	<i>Sep-00</i>	<i>Sep-01</i>	<i>Sep-00</i>
Sales Gas and Ethane (PJ)					
SA Cooper	23.6	23.0	27.4	70.5	75.4
Qld Cooper	19.8	17.2	17.9	51.8	51.2
<i>Total Cooper Basin</i>	<i>43.4</i>	<i>40.2</i>	<i>45.3</i>	<i>122.3</i>	<i>126.6</i>
Surat/Denison	2.7	2.6	2.8	7.9	8.2
Amadeus	2.6	2.6	2.7	7.9	7.8
Otway	1.8	1.8	1.3	5.4	3.8
East Spar	5.3	5.4	4.5	15.8	14.1
USA	1.2	0.8	0.7	2.8	2.7
Total Production	57.0	53.4	57.3	162.1	163.2
<i>Total Sales Volume</i>	<i>59.3</i>	<i>55.5</i>	<i>58.4</i>	<i>164.8</i>	<i>163.5</i>
<i>Total Sales Revenue (\$Am)</i>	<i>168.9</i>	<i>154.3</i>	<i>159.0</i>	<i>470.9</i>	<i>443.9</i>
Crude Oil ('000 bbls)					
SA Cooper	485.1	469.9	464.7	1328.0	1409.3
Qld Cooper	327.8	344.3	374.1	999.2	1094.6
<i>Total Cooper Basin</i>	<i>812.9</i>	<i>814.2</i>	<i>838.8</i>	<i>2327.2</i>	<i>2503.9</i>
Surat/Denison	27.4	29.7	25.0	86.3	78.2
Amadeus	81.4	74.6	72.6	237.1	255.6
Elang/Kakatua	187.8	247.6	341.2	735.9	1039.3
Legendre	554.7	214.8	0.0	769.5	0.0
Thevenard	299.2	261.4	419.2	764.7	1359.2
Barrow	275.3	280.9	295.8	841.8	903.1
Jabiru/Challis	80.7	57.2	91.8	204.7	254.9
Stag	1048.2	975.8	1329.5	2877.8	3535.2
SE Gobe	133.6	139.8	126.2	386.8	317.1
USA	23.0	8.3	17.2	42.0	59.6
Other	3.8	2.8	4.3	10.3	13.5
Total Production	3528.0	3107.1	3561.6	9284.1	10319.6
<i>Total Sales Volume</i>	<i>3317.2</i>	<i>3417.3</i>	<i>3237.5</i>	<i>9064.9</i>	<i>9882.4</i>
<i>Oil Price (Avg \$A/bbl)</i>	<i>47.23</i>	<i>51.06</i>	<i>48.40</i>	<i>49.68</i>	<i>45.17</i>
<i>Total Sales Revenue (\$Am)</i>	<i>156.7</i>	<i>174.5</i>	<i>156.7</i>	<i>450.4</i>	<i>446.4</i>
Condensate ('000 bbls)					
SA Cooper	273.4	330.3	391.2	961.4	1053.6
Qld Cooper	292.7	229.7	266.1	724.2	747.8
<i>Total Cooper Basin</i>	<i>566.1</i>	<i>560.0</i>	<i>657.3</i>	<i>1685.6</i>	<i>1801.4</i>
Surat/Denison	5.7	6.3	3.8	16.5	12.8
Otway	19.6	17.7	14.6	53.7	42.8
East Spar	278.6	302.1	286.6	856.4	799.4
USA	12.3	7.3	4.8	23.3	14.0
Total Production	882.3	893.4	967.1	2635.5	2670.4
<i>Total Sales Volume</i>	<i>859.2</i>	<i>1105.3</i>	<i>958.1</i>	<i>2557.0</i>	<i>2782.0</i>
<i>Total Sales Revenue (\$Am)</i>	<i>39.6</i>	<i>56.9</i>	<i>44.6</i>	<i>126.6</i>	<i>120.8</i>

	<i>Quarter ended</i>			<i>9 Months To</i>	
	<i>Sep-01</i>	<i>Jun-01</i>	<i>Sep-00</i>	<i>Sep-01</i>	<i>Sep-00</i>
LPG ('000 t)					
SA Cooper	39.3	38.7	42.7	123.8	129.2
Qld Cooper	26.7	19.4	25.0	64.2	70.8
<i>Total Cooper Basin</i>	<i>66.0</i>	<i>58.1</i>	<i>67.7</i>	<i>188.0</i>	<i>200.0</i>
Surat/Denison	0.7	1.1	0.0	2.4	0.0
Total Production	66.7	59.2	67.7	190.4	200.0
<i>Total Sales Volume</i>	<i>16.4</i>	<i>72.5</i>	<i>61.9</i>	<i>140.5</i>	<i>197.1</i>
<i>Total Sales Revenue (\$Am)</i>	<i>9.7</i>	<i>37.2</i>	<i>30.5</i>	<i>78.4</i>	<i>92.1</i>
TOTAL					
<i>Production (mmboe)</i>	<i>14.7</i>	<i>13.6</i>	<i>14.9</i>	<i>41.2</i>	<i>42.6</i>
<i>Sales Volume (mmboe)</i>	<i>14.4</i>	<i>14.6</i>	<i>14.7</i>	<i>41.0</i>	<i>42.3</i>
<i>Sales Revenue (\$Am)</i>	<i>374.9</i>	<i>422.9</i>	<i>390.8</i>	<i>1126.3</i>	<i>1103.2</i>
Exploration and Development Expenditure (\$A million)					
	<i>Quarter ended</i>			<i>9 Months To</i>	
	<i>Sep-01</i>	<i>Jun-01</i>	<i>Sep-00</i>	<i>Sep-01</i>	<i>Sep-00</i>
Exploration					
Australia	16.2	32.6	16.5	78.2	42.5
Overseas	13.6	18.5	7.3	36.7	17.3
<i>Total</i>	<i>29.8</i>	<i>51.1</i>	<i>23.8</i>	<i>114.9</i>	<i>59.8</i>
Development					
Australia	111.6	106.7	82.0	326.4	209.8
Overseas	11.7	2.5	1.8	19.4	1.5
<i>Total</i>	<i>123.3</i>	<i>109.2</i>	<i>83.8</i>	<i>345.8</i>	<i>211.3</i>
Total Exp & Dev Exp	153.1	160.3	107.6	460.7	271.1

ABBREVIATIONS

PJ	= petajoule
bbls	= barrels
t	= tonnes
boe	= barrels of oil equivalent
P&A	= plugged and abandoned
C&S	= cased and suspended

CONVERSIONS

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