

26 October 2005

## Record quarterly revenue for Santos

Santos Limited today reported record third quarter sales revenue of \$764 million, driven by a 15% year on year increase in production to 14.9 million barrels of oil equivalent.

The third quarter revenue was 38% higher than the previous record of \$553 million in the second quarter of 2005, and up 82% on the third quarter of 2004.

The September quarter result takes Santos' revenue to \$1.78 billion for the first nine months of this year – up 76% on the previous corresponding period and already \$283 million higher than the record \$1.50 billion full year revenue achieved in 2004.

Total third quarter production of 14.9 million barrels of oil equivalent (mmboe) was 9% above the second quarter result, taking total production for the first three quarters of 2005 to 41.2 mmboe.

The average realised gas price for the third quarter increased by 10% to \$3.62 per gigajoule (GJ) from \$3.30 per GJ in the same period of 2004, and the average realised oil price of A\$77.60 (US\$58.00) per barrel was 10% higher than A\$70.20 (US\$54.06) in the second quarter.

“The third quarter result continues the record performance for Santos in 2005 and reflects the Company's growth focus of recent years,” Santos' Managing Director, Mr John Ellice-Flint, said today.

“The increased revenue reflects the start up of a number of new projects at a time of high energy prices,” he said.

Mr Ellice-Flint said the major driver of the improved production was the Mutineer-Exeter development in the Carnarvon Basin offshore Western Australia, where gross third quarter production averaged almost 80,000 barrels of oil per day.

“We are on track to achieve our upgraded 2005 production guidance of approximately 55 mmboe for the full year,” he said.

“Another four new projects due to start up next year are expected to fuel annual production growth of a further 10% in 2006,” he said.

Other developments during the September quarter included:

- The US\$466 million acquisition of a controlling interest in Tipperary Corporation, including an operated interest in the world class Fairview field in Queensland;
- First gas production from the \$300 million John Brookes development offshore Western Australia;
- The sale of 229 PJ of John Brookes gas over 15 years to a new power station to be built near Kwinana in Western Australia;
- A gas discovery at Caldita 1 in the Timor Sea offshore the Northern Territory;
- The Henry 1 gas discovery in the Otway Basin, offshore Victoria;
- Solid development progress at Casino offshore Victoria, with the project on schedule for the planned Q1 2006 start-up;
- Development drilling under way for the Oyong oil and gas field offshore Indonesia;
- Commencement of development at the Maleo gas field offshore Indonesia;
- Further appraisal of the Jeruk oil discovery offshore Indonesia, including the retrieval of reservoir core samples, flow testing and interpretation of seismic data;
- A staged farm-in to 10 blocks in Kyrgyzstan, central Asia;
- The move to 100% ownership of the Patricia-Baleen gas field and processing facility, the Sole gas field and exploration permit VIC/P55 in the Victorian Gippsland Basin; and
- The sale of an interest in a Joint Petroleum Development Area permit in the Timor Sea containing the Kuda Tasi and Jahal fields to Paladin Resources.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

**Media enquiries:**

**Kathryn Mitchell  
Santos Limited  
(08) 8218 5260 / 0407 979 982**

**Investor enquiries:**

**Andrew Seaton  
Santos Limited  
(08) 8218 5157 / 0410 431 004**

Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)

**STOCK EXCHANGE ACTIVITIES REPORT FOR  
THE THIRD QUARTER ENDING 30 SEPTEMBER 2005.**

**1. SALES AND PRODUCTION**

Santos' share of production, sales and revenue for the quarter ended 30 September 2005 is shown in the table below:

|  | Quarter Ended |               |               | YTD            |               | Full Year     |
|--|---------------|---------------|---------------|----------------|---------------|---------------|
|  | Q3 2005       | Q3 2004       | Q2 2005       | Q3 2005        | Q3 2004       | 2004          |
| <b>Sales Gas and Ethane (PJ)</b>             |               |               |               |                |               |               |
| Cooper Basin                                 | 32.0          | 35.2          | 31.1          | 95.2           | 92.8          | 125.9         |
| Surat/Bowen/Denison                          | 6.6           | 4.9           | 5.1           | 16.0           | 12.1          | 16.1          |
| Amadeus                                      | 3.0           | 2.5           | 3.0           | 9.2            | 7.9           | 11.3          |
| Otway/Gippsland                              | 3.8           | 2.2           | 4.0           | 11.3           | 6.4           | 8.2           |
| Carnarvon                                    | 0.4           | 4.1           | 0.0           | 2.1            | 14.1          | 17.7          |
| Indonesia                                    | 1.0           | 0.0           | 1.3           | 3.7            | 0.0           | 2.1           |
| USA  | 2.0           | 2.3           | 3.0           | 8.5            | 6.9           | 9.2           |
| <b>Total Sales Gas and Ethane Production</b> | <b>48.8</b>   | <b>51.2</b>   | <b>47.5</b>   | <b>145.9</b>   | <b>140.2</b>  | <b>190.5</b>  |
| <b>Total Sales Volume</b>                    | <b>63.3</b>   | <b>57.6</b>   | <b>59.5</b>   | <b>176.7</b>   | <b>150.1</b>  | <b>207.1</b>  |
| <b>Gas Price (Avg \$/GJ)</b>                 | <b>3.62</b>   | <b>3.30</b>   | <b>3.61</b>   | <b>3.56</b>    | <b>3.45</b>   | <b>3.28</b>   |
| <b>Total Sales Revenue (A\$m)</b>            | <b>229.3</b>  | <b>190.1</b>  | <b>215.1</b>  | <b>630.0</b>   | <b>486.9</b>  | <b>680.2</b>  |
| <b>Condensate (000's bbls)</b>               |               |               |               |                |               |               |
| Cooper Basin                                 | 471.9         | 417.1         | 495.5         | 1456.1         | 884.0         | 1448.5        |
| Surat/Bowen/Denison                          | 10.1          | 3.6           | 6.7           | 25.4           | 5.8           | 7.8           |
| Amadeus                                      | 11.2          | 0.0           | 17.9          | 29.1           | 0.0           | 0.0           |
| Otway  | 3.8           | 5.8           | 3.7 *         | 9.9 *          | 27.0          | 30.6          |
| Carnarvon                                    | 1.4           | 172.6         | 0.0           | 68.8           | 630.1         | 775.5         |
| Bonaparte                                    | 628.5         | 471.5         | 318.8         | 1532.9         | 761.1         | 1334.9        |
| USA  | 46.6          | 26.8          | 61.7          | 191.2          | 69.1          | 114.4         |
| <b>Total Condensate Production</b>           | <b>1173.5</b> | <b>1097.4</b> | <b>904.3</b>  | <b>3313.4</b>  | <b>2377.1</b> | <b>3711.7</b> |
| <b>Total Sales Volume</b>                    | <b>1154.9</b> | <b>1186.2</b> | <b>1082.2</b> | <b>3508.0</b>  | <b>2195.0</b> | <b>3569.5</b> |
| <b>Condensate Price (Avg \$/bbl)</b>         | <b>81.39</b>  | <b>65.84</b>  | <b>69.12</b>  | <b>73.26</b>   | <b>58.91</b>  | <b>64.01</b>  |
| <b>Condensate Price (Avg \$/US/bbl)</b>      | <b>60.83</b>  | <b>45.40</b>  | <b>53.22</b>  | <b>55.06</b>   | <b>41.04</b>  | <b>44.59</b>  |
| <b>Total Sales Revenue (A\$m)</b>            | <b>94.0</b>   | <b>78.1</b>   | <b>74.8</b>   | <b>257.0</b>   | <b>129.3</b>  | <b>228.5</b>  |
| <b>LPG (000 t)</b>                           |               |               |               |                |               |               |
| Cooper Basin                                 | 55.4          | 39.4          | 55.0          | 165.2          | 56.8          | 108.7         |
| Surat/Bowen/Denison                          | 0.0           | 0.1           | 0.0           | 0.0            | 0.1           | 0.1           |
| Bonaparte                                    | 29.8          | 21.2          | 12.7          | 66.3           | 26.6          | 49.8          |
| <b>Total LPG Production</b>                  | <b>85.2</b>   | <b>60.7</b>   | <b>67.7</b>   | <b>231.5</b>   | <b>83.5</b>   | <b>158.6</b>  |
| <b>Total Sales Volume</b>                    | <b>109.9</b>  | <b>43.7</b>   | <b>41.3</b>   | <b>249.8</b>   | <b>71.1</b>   | <b>148.6</b>  |
| <b>LPG Price (Avg \$/t)</b>                  | <b>614.18</b> | <b>558.35</b> | <b>577.27</b> | <b>577.60</b>  | <b>526.02</b> | <b>601.55</b> |
| <b>Total Sales Revenue (A\$m)</b>            | <b>67.5</b>   | <b>24.4</b>   | <b>23.8</b>   | <b>144.3</b>   | <b>37.4</b>   | <b>90.5</b>   |
| <b>Crude Oil (000's bbls)</b>                |               |               |               |                |               |               |
| Cooper Basin                                 | 906.6         | 817.0         | 722.1         | 2350.7         | 2023.7        | 2685.6        |
| Surat/Bowen/Denison                          | 21.3          | 18.6          | 19.1          | 58.4           | 64.9          | 90.2          |
| Amadeus                                      | 46.0          | 65.3          | 41.8          | 154.3          | 174.6         | 236.5         |
| Legendre                                     | 192.7         | 709.0         | 210.8         | 710.1          | 1531.0        | 2045.8        |
| Thevenard                                    | 127.3         | 146.2         | 110.4         | 348.5          | 450.9         | 561.1         |
| Barrow                                       | 191.8         | 215.6         | 186.3         | 573.9          | 650.7         | 859.3         |
| Stag   | 539.7         | 425.1         | 556.2         | 1608.2         | 1579.7        | 2124.8        |
| Mutineer Exeter                              | 2402.7        | 0.0           | 2187.6        | 4590.3         | 0.0           | 0.0           |
| Elang/Kakatua                                | 57.9          | 68.3          | 65.6          | 180.9          | 183.4         | 226.7         |
| Jabiru/Challis                               | 41.3          | 48.4          | 50.1          | 130.6          | 129.8         | 176.7         |
| Indonesia                                    | 30.3          | 0.0           | 22.9          | 91.4           | 0.0           | 68.0          |
| SE Gobe                                      | 71.8          | 67.4          | 67.9          | 199.2          | 223.8         | 289.1         |
| USA  | 10.5          | 53.5          | 14.4          | 41.8           | 127.4         | 171.7         |
| <b>Total Crude Oil Production</b>            | <b>4639.9</b> | <b>2634.4</b> | <b>4255.2</b> | <b>11038.3</b> | <b>7139.9</b> | <b>9535.5</b> |
| <b>Total Sales Volume</b>                    | <b>4815.9</b> | <b>2226.1</b> | <b>3411.4</b> | <b>10557.3</b> | <b>7134.7</b> | <b>9681.2</b> |
| <b>Oil Price (Avg \$/bbl)</b>                | <b>77.60</b>  | <b>57.36</b>  | <b>70.20</b>  | <b>71.26</b>   | <b>50.07</b>  | <b>51.84</b>  |
| <b>Oil Price (Avg \$/US/bbl)</b>             | <b>58.00</b>  | <b>39.58</b>  | <b>54.06</b>  | <b>52.01</b>   | <b>34.88</b>  | <b>36.12</b>  |
| <b>Total Sales Revenue (A\$m)</b>            | <b>373.7</b>  | <b>127.7</b>  | <b>239.5</b>  | <b>752.3</b>   | <b>357.2</b>  | <b>501.8</b>  |
| <b>TOTAL</b>                                 |               |               |               |                |               |               |
| <b>Production (mmbœ)</b>                     | <b>14.9</b>   | <b>13.0</b>   | <b>13.7</b>   | <b>41.2</b>    | <b>34.2</b>   | <b>47.1</b>   |
| <b>Sales Volume (mmbœ)</b>                   | <b>17.6</b>   | <b>13.6</b>   | <b>15.1</b>   | <b>46.3</b>    | <b>35.6</b>   | <b>49.9</b>   |
| <b>Sales Revenue (\$Am)</b>                  | <b>764.5</b>  | <b>420.3</b>  | <b>553.2</b>  | <b>1783.6</b>  | <b>1010.8</b> | <b>1500.9</b> |

\* Otway Q2 2005 condensate volumes have been adjusted following receipt of Operator data

## **Sales and Production Summary**

Total third quarter production was 14.9 million barrels of oil equivalent (mmbob), an increase of 9% over Q2 2005, and 15% above Q3 2004.

Total sales revenue for the third quarter was a record \$764.5 million, an increase of 38% over Q2 2005 and 82% above Q3 2004. The improvement in sales revenue reflects both increased sales volumes and improved product prices.

### **Production by Product**

*Comparisons with prior periods for gas and associated condensate and LPG production are made between the current quarter and the same quarter from the previous year, as production is heavily influenced by seasonal factors.*

*Conversely, comparisons for crude oil are made with the immediate previous quarter, as oil production rates are not subject to seasonal variations.*

### **Sales Gas and Ethane**

Sales gas and ethane production for the third quarter was 48.8 petajoules (PJ) a decrease of 5% from Q3 2004.

This decline was the net result of the early shut-in of East Spar and natural field decline in the Cooper Basin, offset by increased production in other Australian fields.

Quarterly sales gas and ethane sales volumes increased by 10% over Q3 2004 to 63.3 PJ, of which 6.5 PJ was gas purchased to provide customer supply due to the shut-in of East Spar prior to the commissioning of John Brookes. Further third party gas purchases of 4.5 PJ were made to replenish Moomba storage.

Sales gas and ethane sales revenue for the quarter was up by 21% to \$229.3 million. The average realised gas price increased by 10% to \$3.62 per gigajoule (GJ) compared with \$3.30 per GJ in Q3 2004.

### **Condensate**

Condensate production of 1.2 million barrels (mmbbl) was 7% or 0.1 mmbbl higher than Q3 2004 due to the reinstatement of production from the Moomba Liquids Recovery Plant (LRP), higher production from Bayu-Undan and improved US condensate yields, offset by the shut in of East Spar.

Quarterly condensate sales volumes were steady year on year at 1.2 mmbbl.

Condensate sales revenue was 20% higher than Q3 2004 at \$94.0 million. The realised condensate price increased by 24% to A\$81.39 (US\$60.83) per barrel from A\$65.84 (US\$45.40) previously.

### **LPG**

Quarterly LPG production increased to 85,200 tonnes from 60,700 tonnes in Q3 2004 due to the reinstatement of the Moomba LRP and increased liquids production from Bayu-Undan.

LPG sales volumes increased to 109,900 tonnes from 43,700 tonnes due to higher production and timing of liftings. Sales revenue increased commensurately to \$67.5 million from \$24.4 million in Q3 2004. The realised LPG price increased 10% to \$614.18 per tonne compared with \$558.35 previously.

### **Crude Oil**

Oil production of 4.64 mmbbl was 9% higher than Q2 2005. This was predominantly due to increased production from Mutineer-Exeter and the Cooper Basin, offset by minor reductions at Legendre, Stag and the Timor Sea fields.

Quarterly oil sales volumes were 41% higher than Q2 2005 due to higher production and the timing of liftings. Crude was overlifted by 0.2 mmbbl in Q3 2005 partially reversing the 0.8 mmbbl underlifted in Q2 2005. Year-to-date 2005 crude has been underlifted by 0.5 mmbbl.

Oil sales revenue increased by 56% to \$373.7 million for the quarter. The average realised oil price was A\$77.60 per barrel after hedging, 10% higher than the Q2 2005 average of A\$70.20.

### **Production by Area**

#### **Cooper Basin**

Sales gas and ethane production decreased by 9% to 32.0 PJ compared with 35.2 PJ in Q3 2004, reflecting natural field decline and Moomba LRP downtime associated with statutory inspections 12 months after recommissioning.

Third party gas totalling 4.5 PJ was purchased during Q3 2005 as part of the Cooper Basin gas portfolio optimisation, which takes account of contracted customer demands, facility maintenance requirements, field development capital costs, gas storage levels, spot gas sales and the availability of third party gas.

Condensate production of 0.47 mmbbl was 13% higher than Q3 2004 due to the reinstatement of the Moomba LRP.

LPG production was 41% higher than Q3 2004 at 55,400 tonnes due to the reinstatement of the Moomba LRP.

Crude oil production was 26% higher compared with Q2 2005 at 906,600 barrels, reflecting the favourable impact of the expanded oil delineation and development program commenced during 2004 and the connection of successful wells at Mulberry, Carmina and Derrilyn.

#### **Surat Basin/Bowen/Denison Trough**

Quarterly sales gas production rose to 6.6 PJ from 4.9 PJ in Q3 2004 due to increased output from Roma, Scotia and Churchie together with the inclusion of net production from the Tipperary interests acquired effective 13 July 2005.

#### **Amadeus Basin**

Sales gas production increased to 3.0 PJ from 2.5 PJ due to higher customer demand.

### **Otway Basin/Gippsland Basin**

Sales gas production increased to 3.8 PJ from 2.2 PJ due to the commencement of production from the offshore Minerva field in December 2004, offset by the disposal of onshore Otway assets during Q3 2004 and increased Gippsland interests acquired from OMV Petroleum Pty Ltd.

### **Carnarvon Basin**

Carnarvon Basin gas and condensate production recommenced with the start up of the John Brookes field in September at initial gross rates of approximately 60 TJ/d. Third party gas will continue to be acquired by the East Spar joint venture to meet supply commitments until the John Brookes CO<sub>2</sub> removal facilities are on line. The first CO<sub>2</sub> train is expected to be available by the end of October at which time the production rate will be increased to meet current contract nominations. When the second CO<sub>2</sub> train is completed by year end, the plant will have a gross production capacity of 240 TJ/d.

Net oil production increased 6% to 3.45 mmbbl from 3.25 mmbbl in Q2 2005 due largely to the increased contribution from Mutineer-Exeter offset by small decreases at the Legendre and Stag fields due to natural decline.

Mutineer-Exeter gross production averaged approximately 78,200 barrels per day over the third quarter with minimal downtime. At the end of the quarter, production was averaging approximately 74,000 barrels per day.

One well is currently producing under Electrical Submersible Pump (ESP) artificial lift, with all other wells flowing naturally. Towards the latter part of the third quarter, the Mutineer Multi Phase Pump (MPP) suffered technical problems and was shut down. The resultant production capacity reduction of 5,000 to 10,000 barrels per day will be addressed with the installation of a replacement MPP in November 2005.

Two additional development wells, one on Mutineer and one on Exeter, are planned to be drilled commencing around the end of Q1 2006.

Stag oil production was down by 3% compared with Q2 2005 to 0.54 mmbbl, reflecting the continuing benefits of production optimisation initiatives. The joint venture has approved a plan to drill and complete an additional well for water injection during the first half of 2006.

Legendre oil production was down by 9% to 0.19 mmbbl from 0.21 mmbbl in Q2 2005 due to natural field decline. Two appraisal wells drilled during the third quarter failed to result in sufficient incremental reserves to justify drilling and connection of additional development wells.

### **Timor Sea**

Crude oil production from the Timor Sea fields decreased by 14% from Q2 2005 to 0.1 mmbbl due to natural field decline.

### **Bonaparte Basin**

Bayu-Undan condensate production of 0.63 mmbbl was 33% higher than Q3 2004, and almost double Q2 2005, which was affected by a planned six week shutdown.

Debottlenecking and process enhancements during the Q2 2005 shutdown have resulted in improved liquid extraction efficiency, with gross liquids flow rates during the third quarter averaging 105,000 barrels per day of which about 64,000 barrels per day was condensate.

Bayu-Undan Q3 2005 LPG production of 29,800 tonnes increased by 41% from 21,200 tonnes in Q3 2004, and was more than double the shutdown affected 12,700 tonnes in Q2 2005.

## Indonesia

Sales gas production from Brantas and Kakap was 1.0 PJ, down from 1.3 PJ in Q2 2005.

An infill drilling campaign commenced during Q3 2005 at the onshore Wunut field in the Brantas PSC. The first two wells of up to a five well programme have been successfully drilled and completed and are expected to lift gas production during Q4 2005.

During Q3 2005, trucked oil production commenced from the onshore Tanggulangin field in the Brantas PSC at initial gross rates of about 1,000 barrels per day.

## Papua New Guinea

Oil production at SE Gobe remained steady at 0.07 mmbbls following the connection of SE Gobe 11 in June 2005.

## United States

Sales gas production decreased to 2.0 PJ from 2.3 PJ in Q3 2004, due to natural field decline.

## 2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

| Capital Expenditure Summary (\$ millions) | Quarter Ended |              |              | YTD          |              | Full Year    |
|---|---------------|--------------|--------------|--------------|--------------|--------------|
|   | Q3 2005       | Q3 2004      | Q2 2005      | Q3 2005      | Q3 2004      | 2004         |
| <b>Exploration</b>                        |               |              |              |              |              |              |
| Capitalised                               | 5.4           | 1.8          | 8.5          | 30.6         | 18.9         | 32.6         |
| Expensed                                  | 24.7          | 27.0         | 28.1         | 78.0         | 51.0         | 93.0         |
| <b>Delineation</b>                        |               |              |              |              |              |              |
| Capitalised                               | 15.6          | 14.3         | 14.5         | 39.3         | 45.3         | 66.5         |
| Expensed                                  | 10.1          | 1.7          | 9.6          | 29.4         | 14.9         | 24.4         |
| <b>Development</b>                        | 176.5         | 158.5        | 183.8        | 517.8        | 463.3        | 713.0        |
| <b>Total Capital Expenditure</b>          | <b>232.3</b>  | <b>203.3</b> | <b>244.5</b> | <b>695.1</b> | <b>593.4</b> | <b>929.5</b> |

(1) Delineation includes near field exploration and appraisal expenditure.

### 2.1 Exploration Activity

Exploration expenditure was \$30.1 million in Q3 2005.

Wildcat drilling activity during the third quarter is shown in the table below:

| Well            | Basin/Area     | Target | Licence       | Santos Interest (%) | Well Status   |
|-----------------|----------------|--------|---------------|---------------------|---------------|
| Ras Abu Darag 1 | Gulf of Suez   | Oil    | Ras Abu Darag | 50                  | P&A, dry hole |
| Caldita 1       | Timor Sea      | Gas    | NT/P61        | 40                  | Gas discovery |
| Henry 1         | Offshore Otway | Gas    | Vic/P44       | 50                  | Gas discovery |
| Yamala 2        | Bowen          | Gas    | ATP 553P      | 80                  | Gas discovery |
| Windula 1       | Cooper/SWQ     | Oil    | ATP 259P      | 55                  | P&A, dry hole |
| Greenmount 1    | Bowen          | Gas    | ATP 337P      | 50                  | In progress   |
| Saratoga 1      | Cooper/SWQ     | Oil    | ATP 259P      | 55                  | In progress   |

At the end of the quarter, Santos announced the discovery of a significant hydrocarbon column in high quality reservoir with a test flow of 33 mmcf/d through a 1 inch choke at the Caldita 1 wildcat in the Timor Sea offshore Darwin.

Earlier in the quarter, the Henry 1 wildcat was confirmed as a new field discovery, with gas quality similar to the Casino field. Henry 1 is approximately 8.5 kilometres north of Casino and is expected to be readily commercialised through the Casino infrastructure and the TRUenergy gas sales contract.

Also during the quarter, the Ras Abu Darag 1 well, was plugged and abandoned without intersecting commercial hydrocarbons.

Santos' Sorell Basin acreage trend was strengthened with the award of the T/40P exploration permit in July.

During August, Santos announced a staged farm-in with Caspian oil and Gas Limited to 10 licences covering 16,500 square kilometres in the Central Asian republic of Kyrgyzstan.

Since late 2004, Santos has been accumulating an expanded acreage position through quarterly State lease sales in the shallow waters of the Gulf of Mexico offshore Texas. A solid areal coverage has now been attained in the Cougar and Jaguar project areas, targeting various play types and objectives in Miocene and Oligocene sandstones.

### Seismic Acquired

No seismic was acquired during the third quarter.

### Forward Exploration Drilling Schedule

The current indicative drilling schedule for the remainder of 2005 is set out in the table below:

| Well Name    | Basin / Area       | Target | Upside resource Potential (mmboe) |         |           |      | Santos Interest (%) | Timing   |
|--------------|--------------------|--------|-----------------------------------|---------|-----------|------|---------------------|----------|
|              |                    |        | 1 - 50                            | 50 -100 | 100 - 250 | >250 |                     |          |
| Bobcat A     | Texas state waters | Gas    | ✓                                 |         |           |      | 100                 | Drilling |
| Firebird     | Bonaparte          | Gas    |                                   |         | ✓         |      | 21                  | Drilling |
| Greenmount   | Bowen              | Gas    | ✓                                 |         |           |      | 50                  | Drilling |
| Saratoga     | Cooper             | Oil    | ✓                                 |         |           |      | 60                  | Drilling |
| Khufu        | Gulf of Suez       | Oil    |                                   | ✓       |           |      | 20                  | Q4       |
| Banjar Panji | East Java          | Oil    | ✓                                 |         |           |      | 18                  | Q4       |
| Nyari (Nuri) | East Java          | Oil    |                                   | ✓       |           |      | 75                  | Q4       |
| Black Horse  | Texas              | Gas    | ✓                                 |         |           |      | 100                 | Q4       |
| NZB-2        | Gulf of Suez       | Oil    | ✓                                 |         |           |      | 50                  | Q4       |

*The exploration portfolio is constantly being optimised therefore the above program may vary as a result of drilling outcomes, new prospects maturing and rig availability.*



## 2.2 Delineation Activity

Total delineation expenditure in Q3 2005 was \$25.7 million, of which near field exploration and exploration appraisal expenditure was \$12.0 million and development appraisal expenditure was \$13.7 million.

The table below details the delineation wells drilled during the quarter and their status:

| Well             | Basin/Area | Target | Santos Interest (%) | Well Status           |
|------------------|------------|--------|---------------------|-----------------------|
| Kerinna South 1  | Cooper     | Gas    | 60.1                | C&S, successful gas   |
| Winninia North 4 | Cooper     | Gas    | 60.1                | C&S, successful gas   |
| Teringie 1       | Cooper     | Oil    | 100                 | C&S, successful oil   |
| Ren 1            | Cooper     | Oil    | 100                 | P&A, dry hole         |
| Stimpee 1        | Cooper     | Oil    | 100                 | C&S, successful oil   |
| Bugito 1         | Cooper     | Oil    | 66.6                | C&S, successful oil   |
| Stimpee 2        | Cooper     | Oil    | 100                 | C&S, successful oil   |
| Derrilyn 2       | Cooper     | Oil    | 65                  | C&S, successful oil   |
| Legendre 3 ST1   | Carnarvon  | Oil    | 22.6                | P&A, unsuccessful oil |
| Legendre 4       | Carnarvon  | Oil    | 22.6                | P&A, unsuccessful oil |
| Jeruk 2 ST5      | East Java  | Oil    | 45                  | P&A, successful oil   |
| BH Timber 1      | Louisiana  | Oil    | 25                  | C&S, unsuccessful oil |
| Costa West 1     | Cooper     | Gas    | 60.1                | In progress           |

In the offshore East Java Basin, the Jeruk 2 well was re-entered to further evaluate the Jeruk oil discovery with sidetrack 5 which was plugged and abandoned for future potential re-entry following a successful DST over the interval 5027mMD to 5102mMD (4658mTVDSS - 4719mTVDSS). The well flowed at a stabilised rate of 3,000 bbls of oil per day with a Gas Oil Ratio of 450 scf/bbl through a 22/64" choke. The rate was constrained by surface facility limitations and the need to maintain a stable rate for evaluation purposes.

In the Cooper Basin, six oil delineation wells were drilled. Four of those were in the 100% Santos owned exploration permit PEL 114, that resulted in 3 wells being cased for oil production. One well, Bugito 1 was drilled in the fixed factor area and was cased for oil production. One well, Derrilyn 2, was drilled in a farmout block of PEL114 and was also cased for oil production. Additional drilling is planned to further evaluate the attractive trends discovered by these wells.

## 2.3 Development Activity

Development expenditure during the third quarter was \$176.5 million.

The table below details all development wells drilled during the quarter and their status:

| Well                 | Basin/Area  | Target | Santos Interest (%) | Well Status                        |
|----------------------|-------------|--------|---------------------|------------------------------------|
| Fly Lake 16          | Cooper      | Oil    | 66.6                | C&S, successful oil                |
| Fly Lake 17          | Cooper      | Oil    | 66.6                | C&S, successful oil                |
| Fly Lake 15          | Cooper      | Oil    | 66.6                | C&S, successful oil                |
| Coonatie 6           | Cooper      | Gas    | 72.3                | C&S, successful gas                |
| Psyche 4             | Cooper      | Gas    | 60.1                | C&S, successful gas                |
| Psyche 3             | Cooper      | Gas    | 60.1                | C&S, successful gas (commenced Q2) |
| Thoar 3              | Cooper      | Gas    | 60.1                | C&S, successful gas                |
| Leleptian 3          | Cooper      | Gas    | 66.6                | C&S, successful gas (commenced Q2) |
| Big Lake 8 deepening | Cooper      | Gas    | 66.6                | C&S, successful gas                |
| Baryulah 7 ST1       | Cooper      | Gas    | 60.1                | C&S, successful gas                |
| Baryulah 8           | Cooper      | Gas    | 60.1                | In progress                        |
| Derrilyn 2           | Cooper      | Oil    | 65                  | C&S, successful oil                |
| Casino 5             | Otway       | Gas    | 50                  | C&S, successful gas (commenced Q2) |
| John Brookes 4       | Carnarvon   | Gas    | 45                  | C&S, successful gas (commenced Q2) |
| John Brookes 5       | Carnarvon   | Gas    | 45                  | C&S, successful gas (commenced Q2) |
| Oyong 4 DW1          | East Java   | Oil    | 45                  | C&S, successful oil                |
| Oyong 5 DW1          | East Java   | Oil    | 45                  | In progress                        |
| Oyong 6 DW1          | East Java   | Oil    | 45                  | In progress                        |
| Oyong 7 DW1          | East Java   | Oil    | 45                  | C&S, successful oil                |
| Oyong 8 DW1          | East Java   | Oil    | 45                  | In progress                        |
| Oyong 9 DW1          | East Java   | Oil    | 45                  | In progress                        |
| Oyong 10 DW1         | East Java   | Gas    | 45                  | In progress                        |
| HC Drew Estate 1     | Louisiana   | Oil    | 25                  | C&S, successful oil                |
| Henderson 4          | South Texas | Gas    | 20.8                | In progress                        |
| Wunut 15             | East Java   | Gas    | 18                  | C&S, successful gas                |
| Wunut 16             | East Java   | Gas    | 18                  | C&S, successful gas                |

### **Bayu Undan LNG (Santos 10.6%)**

The project is over 90% complete at the end of Q3, and remains on schedule for first LNG production in early 2006. Gas has been introduced to the LNG plant at Wickham Point and the LNG storage tank has been successfully hydrotested.

### **John Brookes (Santos 45%)**

The development drilling was completed with three wells available for production. The field commenced production in September, with a reduced rate of approximately 60 TJ/ day expected until additional CO<sub>2</sub> removal facilities are available during the fourth quarter.

In August, the John Brookes Joint Venture was awarded a contract to supply 229 PJ of gas over 15 years to the NewGen power station to be built at Kwinana, near Perth in Western Australia.

### **Casino (Santos 50%, operator)**

More than 70% complete at the end of Q3 and remains on schedule for commencement of gas production during Q1 2006. During Q3, the directionally drilled shore crossing was completed and the flowline was successfully pulled through to the sea floor. The Seaway Falcon pipe lay vessel has left Norway with the control umbilicals on route to Singapore in preparation for commencing the offshore pipe lay during the fourth quarter.

### **Oyong (Santos 45%, operator)**

Over 70% complete at the end of Q3 2005, with first oil production scheduled early in 2006. Modifications continued to the Floating Storage and Off-take barge with some process modules being installed.

Tendering of the gas export pipeline and installation contract has commenced, with first gas production scheduled in early 2007. Total capex for both the oil and gas development phases is expected to be US\$120 million.

Development drilling has continued with two wells completed for production. The drilling program to date has revealed a more complex, compartmentalised structure than previously modelled.

As a result, the 2P gross recoverable oil reserves are likely to be reduced from 8.3 mmbbl, and the initial oil production rates are likely to be less than 10,000 bbl/day. There is not expected to be any impact on 2P gross recoverable gas reserves of 128 bcf or the anticipated gas production rate of 40 mmscfd.

From a portfolio perspective, the impact of the oil reserve reduction on Santos will not be material, and will be further quantified as part of the year end reserve review process.

#### **Maleo (Santos 75%, operator)**

The Cliffs 10 jack up rig has commenced conversion in Dubai to the Maleo Producer, a Mobile Offshore Production Unit. The signing of the Maleo gas sales agreement in late May has allowed several contracts to be awarded and construction of the Tall Template Structure wellhead facility to begin. Forecast first gas production remains on schedule for the second half of 2006. The project is now around 15% complete and development drilling is expected to commence during Q1 2006.

#### **Cooper Basin (Santos 60%–100%, operator)**

In addition to the oil and gas development well drilling detailed in the table shown at 2.3 above, 12 gas wells and 7 oil wells were connected during Q3.

### **3. BUSINESS DEVELOPMENT**

#### **Acquisitions/Divestments**

In early July, Santos announced that it would acquire Tipperary Corporation (Tipperary) and Tipperary Oil and Gas Australia Pty Ltd (TOGA) for US\$466 million (\$612 million).

The interests of Slough Estates plc (Slough), the parent company of Slough Estates USA, Inc, comprising approximately a 54% shareholding in Tipperary, a 10% equity interest in TOGA, and debt owed to Slough by Tipperary, were acquired by Santos effective 13 July 2005.

Once completed, subject to shareholder approval, this acquisition will provide Santos with an approximately 75% operated working interest and 72% revenue interest in the producing Fairview coal seam gas field, located north of Roma in Queensland, together with more than 4,000km<sup>2</sup> of exploration acreage.

A meeting of Tipperary shareholders to consider and vote on the proposed acquisition is scheduled for 27 October 2005 in the United States.

Also in July, Santos announced that it had agreed to sell its 100% interest in the Golden Beach gas field to Cape Energy (Victoria) Pty Ltd.

During August, Santos acquired the Gippsland Basin interests of Trinity Gas Resources Pty Ltd, resulting in Santos moving to 100% ownership of the Patricia-Baleen gas field and processing facility, the Sole gas field and exploration permit VIC/P55 in the Victorian Gippsland Basin;

In September, Santos announced that it would sell its 25% interest in JPDA 03-01 containing the Kuda Tasi and Jahal fields to Paladin Resources for 3.5 million Paladin Resources plc shares which were valued at approximately US\$19.1 million at the time the sale was completed in early October.

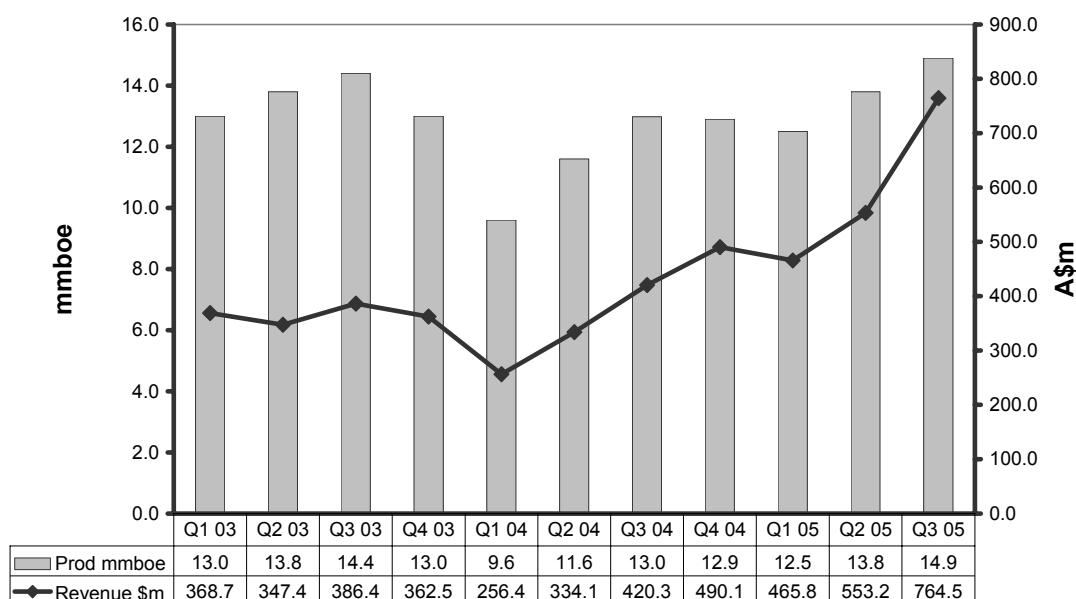
#### 4. HEDGING

No new hedging was undertaken during Q3.

The table below details the hedge position as at 30th September 2005.

| Petroleum Liquids        | 2005  |
|--------------------------|-------|
| Collars (mmboe)          | 0.63  |
| Ceiling price (US\$/bbl) | 61.50 |
| Floor price (US\$/bbl)   | 45.00 |

#### 5. QUARTERLY PRODUCTION AND REVENUE CHART



#### 6. CONVERSION FACTORS AND ABBREVIATIONS

| Abbreviations |                                   | Conversion Factors             |                               |
|---------------|-----------------------------------|--------------------------------|-------------------------------|
| PJ            | petajoules                        | Sales Gas & Ethane, 1 PJ       | 171.937 boe x 10 <sup>3</sup> |
| TJ            | terajoules                        | Crude Oil, 1 barrel            | 1 boe                         |
| mmbbl         | million barrels                   | Condensate (Naphtha), 1 barrel | 0.935 boe                     |
| mmboe         | million barrels of oil equivalent | LPG, 1 tonne                   | 8.458 boe                     |
| t             | tonnes                            |                                |                               |
| P&A           | plugged and abandoned             |                                |                               |
| C&S           | cased and suspended               |                                |                               |