

27 October 2004

Further improvement in third quarter

Santos Limited today reported that production continued to improve in the latest September quarter, following the full recommissioning of the Moomba plant during the period and new production from Bayu-Undan.

Production has increased strongly with third quarter production up by 12%, and revenue up 26% compared with the second quarter to 30 June 2004.

Revenue rose by 9% when compared with the September 2003 quarter, while production declined by 11% as forecast. Production optimisation, acquisitions and new projects continued to slow the rate of decline.

Revenue for the latest quarter was Santos' highest quarterly revenue since 2001. The higher average oil price for the quarter more than offset the impact of lower sales volumes and resulted in the Company's sales revenue increasing to \$420.3 million compared with \$386.4 million in the September 2003 quarter.

The average oil price for the quarter increased to A\$57.36 per barrel – up 34% over the third quarter of 2003.

Recent performance in quarterly production and sales is depicted in the chart at the end of this release.

“Lower third quarter production in 2004 was due mainly to reduced Cooper Basin gas and liquids production as a result of the Moomba incident and lower firm contracted demand,” said Santos' Managing Director, Mr John Ellice-Flint.

“Pleasingly, crude oil production from the Cooper increased against the second quarter and also against the third quarter last year. This is the highest quarterly production in four years,” he said.

“The Moomba plant was fully recommissioned during the third quarter. Losses during the quarter will be included in the Company's insurance claim, which is currently in progress.”

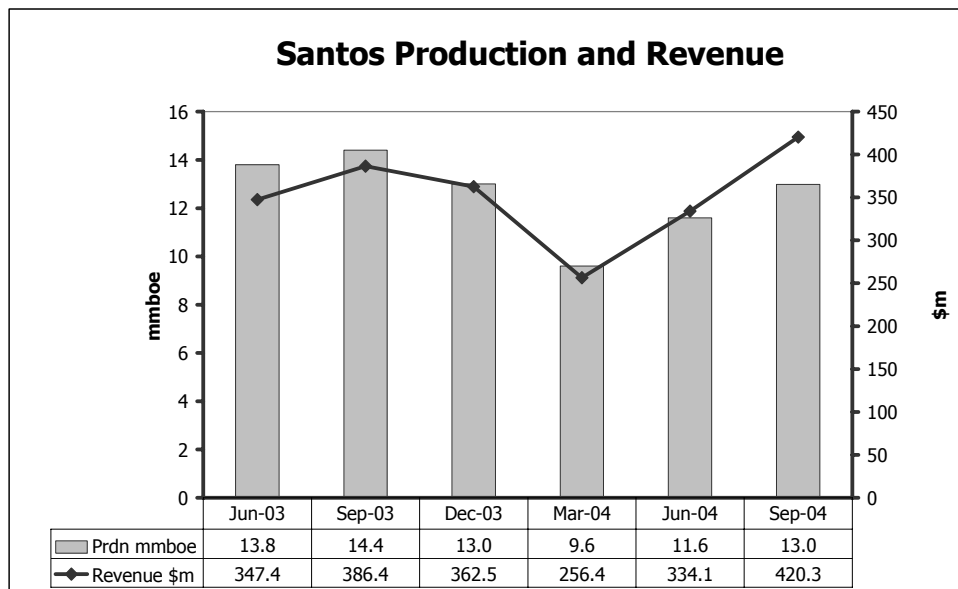
Mr Ellice-Flint said Santos' production outlook for 2004 remained unchanged at 45 to 46 million barrels of oil equivalent (mboe) despite higher production losses than first anticipated from the Moomba incident.

“The rapid development of new projects continues to be a priority and we have maintained a high level of spending with third quarter development expenditure of \$158.5 million,” he said.

Significant progress on key growth projects was achieved during the third quarter, including:

- **The Bayu-Undan LNG project** (Darwin) – the pipeline project which connects the field to the onshore LNG plant is 63% complete, while the LNG plant is 59% complete and on schedule for early 2006 start up.
- **The Mutineer-Exeter oil field development** (offshore WA) – the well completion and sub-sea connection phases commenced during the quarter, to bring the four successful horizontal development wells, three of which have been drilled since the August interim results. The project is now more than 75% complete.
- **The Casino gas field development** (offshore Victoria) – has progressed to formal sanction with the signing of an expanded gas sales agreement with TXU. Increased volumes available under the contract have enabled additional exploration drilling which is now in progress.
- **The John Brookes gas field project** (offshore WA) – is moving towards first production in mid 2005. An additional gas sales agreement with EDL has been signed supplementing volumes under the Newcrest contract.

This quarter marked the start of an active exploration period for Santos with several potentially high impact exploration wells spudded. More are planned for the fourth quarter. Exploration results to date include the successful Torres 1A well in the United States, which was recently brought onto production. In the opening weeks of October, the Jeruk 2 well, which was drilling in the third quarter, was tested with an encouraging flow of 7,488 barrels of 33 API oil per day through a 1/2 inch choke at a flowing pressure of 2,762 psi.



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

STOCK EXCHANGE ACTIVITIES REPORT FOR QUARTER ENDING 30 SEPTEMBER 2004

(Unless otherwise indicated, all comparisons are made against 2003 third quarter)

1. SALES AND PRODUCTION

Total production for the third quarter of 2004 was 13.0 million barrels of oil equivalent (mmboe) compared with 14.4 mmboe in the previous corresponding period.

The main reasons for lower production in the third quarter are lower firm contracted demand for Cooper gas and the 1 January 2004 incident at Moomba which continued to impact production during the quarter, with a reduction of 0.4 mmboe attributable to plant downtime during the successful recommissioning of the Moomba Liquids Recovery Plant (LRP).

Santos has previously forecast that the total production impact of the Moomba incident would be around 4 mmboe, however this is now estimated to be 4.6 mmboe. These losses are included in the business interruption insurance claim.

Production outside the Cooper Basin declined only marginally as lower gas and oil production from East Spar and Stag was offset by increased production from Legendre and Bayu-Undan.

Total sales revenue for the third quarter was \$420.3 million compared with \$386.4 million in the previous corresponding quarter. Higher average prices received for all products resulted in higher revenue despite lower production volumes.

As previously advised, Santos and its joint venturers maintain business interruption and property damage insurance. Claims related to the 1 January Moomba incident continue to be progressed in the normal manner. The estimated 2004 financial impact remains unchanged from previous guidance. Business interruption insurance applies after 45 days, providing coverage for losses during the third quarter.

Sales Gas and Ethane

Third quarter sales gas and ethane production fell from 59.5 petajoules (PJ) to 51.2 PJ. Cooper Basin production was 35.2 PJ (down 6.8 PJ) reflecting the impact of the Moomba incident and lower levels of firm contracted gas demand. Onshore Otway Basin production decreased to 1.0 PJ (down 2.7 PJ) in line with expected field performance.

In line with the lower production, total sales volumes and revenue from sales gas and ethane for the second quarter also decreased. Sales volume declined by 6.5 PJ to 57.6 PJ and sales revenue was down by \$6.0 million to \$190.1 million.

Crude Oil

Oil production during the September quarter increased by 23% compared with the second quarter of 2004, due largely to connection of successful exploration, development and appraisal wells in the Cooper Basin and the good performance of Legendre North 5. Cooper Basin quarterly oil production was the highest since the second quarter in 2000.

Stag production was down from 502,600 barrels in the June quarter to 425,100 barrels in the September quarter as continuing decline impacted field performance. Continued workover activity and additional infill drilling, which commenced in October, are expected to reverse this decline.

Sales volumes for crude oil were 15% lower than in the second quarter of 2004 due to the timing of liftings. Despite the lower volume of sales, revenue from oil decreased only marginally by 3%, from \$131.9 million in the second quarter of 2004 to \$127.7 million in the third quarter of 2004.

The average realised oil price for the third quarter of 2004 was A\$57.36 (US\$38.60) per barrel after hedging, 13% higher than the second quarter of 2004 when prices averaged A\$50.65 (US\$33.80).

Condensate

Condensate production of 1,097,400 barrels was 39% higher than the 2003 third quarter due to a complete quarter of liquids production from Bayu-Undan. This increase was offset by reduced production from the Cooper Basin, where remaining liquids-rich fields were brought back on stream late in the quarter as the second train of the Moomba Liquids Recovery Plant was recommissioned, and lower Carnarvon production due to the decline at East Spar.

Condensate sales volumes increased by 46% over the third quarter 2003 to 1,186,200 barrels due to increased production and timing of liftings. An increase in price of 50% compared with the third quarter 2003 combined with higher sales resulted in revenues that were 118% higher at \$78.1 million.

LPG

LPG production was reduced until late in the quarter due to the need to recommission the LRP after the Moomba incident. LPG production was 9% lower at 60,700 tonnes compared with 66,600 tonnes in the 2003 third quarter, despite a full quarter of LPG production of 21,200 tonnes from Bayu-Undan. Sales volumes were down 40% due to timing of liftings and lower production and sales revenue decreased by 23% to \$24.4 million for the third quarter.

2. EXPLORATION

Expenditure on exploration was \$28.8 million in the third quarter of 2004 during which Santos spudded three exploration wells.

Third Quarter Exploration Activity

Well	Basin/Area	Target	Licence	Santos Interest (%)	Well Status
Jeruk 2	East Java	Oil	Sampang PSC	50	Drilling – Oil discovery, 7,488 bopd
Khefren 1	Gulf of Suez	Oil	SE July	20	Drilling
Venus 1	Cooper SA	Gas	PPL 17	60	P&A

The Jeruk 2 well flowed oil and gas from the primary Kujung Carbonate objective and will now be drilled on to total depth for additional evaluation. The Khefren 1 well is drilling ahead towards the primary Nubia Sandstone objective and the Venus 1 well in the SA Cooper Basin was plugged and abandoned after failing to intersect commercial hydrocarbons. In the United States, the Torres 1A exploration well was completed during the third quarter and was recently brought on production at 5.0 million cubic feet per day (mmcf/d).

Seismic Acquired

During the third quarter Santos acquired exploration seismic consisting of 3,452 line kilometres (offshore 2D) in the Browse/Bonaparte Basins, 76 line kilometres onshore 2D in East Queensland and 48 square kilometres onshore 3D in South-West Queensland (SWQ).

Forward Exploration Drilling Schedule

During the third quarter the high impact exploration program commenced with the spudding of Jeruk 2 and Khefren 1. The remainder of the year includes an active drilling campaign and firm rig slots are now in place for all of this program. Several important wells spudded shortly after the end of the third quarter. Operational timing issues and other Operator commitments have resulted in slippage of some planned wells such as Pohon in the Kutei Basin, offshore Kalimantan, North Zeit Bay, onshore Egypt, and Caldita, offshore Bonaparte Basin, into early 2005 while Martha 1, offshore Otway Basin has been added to the program.

The drill schedule for the remainder of 2004 is set out below:

Well	Basin/Area	Target	Upside Resource Potential (mmbobe) unrisked	Santos Interest %	Quarter drilling Expected to start
Khefren 1X	Gulf of Suez	Oil	120	20	Drilling
Jeruk 2	East Java	Oil	170	50	Drilling
Martha 1	Otway offshore	Gas	55	50	Drilling
Callister 1	Otway offshore	Gas/Oil	88	55	Drilling
Pandu 1	Kutei	Oil	165	20	Drilling
Yangtse	Cooper SWQ	Gas	8	60	Drilling
Agung 1	North Bali	Oil	550	40	Fourth
Hector 1	Cooper SWQ	Gas	5	60	Fourth
Stilton 1	Cooper SWQ	Gas	8	60	Fourth
Cougar B	Gulf Of Mexico-(offshore Texas)	Gas	29	100	Fourth
Amrit 1	Otway deep-water	Oil/Gas	715	33	Fourth
Osage 1X	Gulf of Suez	Oil	340	50	Fourth

3. DELINEATION AND DEVELOPMENT

Delineation and development expenditure was \$174.5 million in the third quarter of 2004.

Delineation Activity

In the Cooper Basin, four gas wells and two oil wells were spudded during the quarter. Of the two oil wells drilled, one was cased and suspended and one plugged and abandoned. Of the four gas wells drilled, one was cased and suspended while a second was cased and suspended shortly after the end of the quarter and two were plugged and abandoned.

In the United States five delineation wells were spudded during the quarter and two of those were still drilling at the end of the quarter with one, Meider GU 1, being cased and suspended shortly after the end of the quarter. Of the five wells completed during the quarter (including two wells spudded during the second quarter), three were plugged and abandoned, one was temporarily suspended for a potential future sidetrack and one was completed for production.

Development Activity

Mutineer-Exeter

The Mutineer-Exeter oil field development (Santos 33.4% Operated interest) was approximately 75% complete. The tanker MT Airway is well into the process of conversion into a Floating Production Storage Off-take (FPSO) vessel at the Jurong shipyards in Singapore with an anticipated sail away in early 2005.

During the quarter a significant milestone was achieved with the completion of the initial phase of development drilling which has resulted in four horizontal production wells being available for connection as the offshore installation phase commences.

Most of the process equipment and control modules have been installed on the FPSO and all subsea production control equipment has been completed and delivered to the FPSO or the supply base at Dampier.

Bayu-Undan

In the Timor Sea, the Bayu-Undan liquids project (Santos interest 10.6%) achieved a first full quarter of LPG and condensate production at slightly below maximum design capacity as process optimisation continues. Consistent gas rates of 1 billion cubic feet per day (bcfd) and 103,000 barrels of liquids per day were achieved during the quarter. Drilling of the remaining planned wells will continue through to early 2005 although existing wells have sufficient capacity to meet the designed production rate of 1.1 bcfd.

Site activities for the Darwin Liquefied Natural Gas (LNG) plant have continued and have reached about 60% completion. The major component of this project is the concrete LNG tank which is close to schedule.

The Bayu-Undan to Darwin pipeline project is now 63% complete. The Semac pipeline laying barge commenced pipe laying operations during the quarter and more than 120 kilometres of the 500 kilometre pipeline has now been laid.

John Brookes

Development of the John Brookes gas field in the Carnarvon Basin off Western Australia (Santos interest 45%) is already 19% complete and is moving ahead rapidly. Production from the John Brookes field is expected to commence in mid 2005. Development of the John Brookes gas field will enable Santos to meet its existing gas supply commitments in Western Australia (WA) and to sell additional gas volumes into the WA market as demonstrated by the recent signing of gas sales agreements with Newcrest Mining Limited and EDL LNG (WA) Pty Ltd.

Cooper Basin

In the Cooper Basin, three gas development wells were drilled in SWQ. Two were cased and suspended as future gas producers and the third was cased and suspended shortly after the end of the quarter. A total of eight gas wells were brought on line during the quarter, four in South Australia (SA) and four in Queensland. During the quarter, five oil wells were drilled with all being cased and suspended for production and six wells were brought on-line, all in SA. In addition to exploration seismic referred to earlier, 25 square kilometres of 3D development seismic was acquired onshore SWQ.

Minerva

In the Otway Basin, construction of the Minerva gas plant and facilities (Santos interest 10%) continued, reaching 95% complete as the gas plant and facilities commissioning activities got underway to enable commencement of production during the fourth quarter.

Casino

The Casino gas field development (Santos 50% Operated) was formally sanctioned during the quarter with the execution of an expanded gas sales agreement with TXU. Major contracts have been awarded and the project is currently 25% complete as it aims for an early 2006 start up. The expanded gas sales contract allows for nearby successful exploration to be rapidly commercialised and has resulted in the drilling of the Martha 1 well currently in progress.

Oyong and Maleo

In East Java, work continues on commercialisation of the Oyong oil and gas (Santos 45% Operated) and Maleo gas (Santos 75% Operated) projects with the focus on agreeing satisfactory credit arrangements from the buyers for the projects. During the quarter, a review of oil potential at Oyong resulted in consideration of a proposal to commence early development of the field's oil. A revised plan of development has been submitted to the Indonesian government for approval.

Scotia

Seven additional coal seam methane development wells were drilled in the Scotia field during the quarter with six cased and suspended while the seventh was cased and suspended shortly after the end of the quarter. These wells will now be completed and connected for production.

United States

Three gas development wells were drilled during the quarter. The Seliger Trust 1 well found gas but was deemed non-commercial and Santos declined to participate in a deepening that is currently in progress. The Petru 4 well has been brought on production at 10.7 mmcfpd plus 650 bcpd and the H. Yturria 4-17 well has been cased and suspended for production.

4. BUSINESS DEVELOPMENT

Acquisitions/Divestments

During the quarter Santos executed formal agreements with PT Medco Energi Internasional Tbk (Medco) to acquire part of Novus Petroleum Limited's (Novus) Indonesian interests and all of Novus' Cooper Basin interests. The agreements are consistent with previously agreed terms, with completion on the agreements subject to certain approvals.

Also in this quarter, Santos concluded a farmout of a 25% interest in the VIC P/51 block containing the Callister prospect to Mitsui & Co Ltd subsidiary Mitwell Energy Resources Pty Ltd.

Capital Raising

During the quarter, Santos launched the innovative Franked Unsecured Equity Limited Securities (FUELS) hybrid preference share issue with excellent

results. The original offering of \$500 million was oversubscribed and the issue was increased to \$600 million to take advantage of attractive rates for this type of capital raising. Part of the proceeds was used to redeem the reset convertible preference shares then on issue.

5. HEDGING

The table below details the hedge position as at 30th September 2004.

FORWARD HEDGING - As at 30th September 2004		
	2004	2005 & Beyond
Petroleum Liquids		
Swaps (mmboe)	0.54	1.56
Avg. price US\$/bbl	30.88	36.02
Currency		
USD Amount	27	154
Avg. Exch. rate	0.5515	0.6407

Third Quarter Capital Expenditure:

Third quarter Capex report	Quarter Ended				YTD	
	2004 September	2004 June	2004 March	2003 September	2004 September	2003 September
Exploration Expenditure (\$ million)						
Australia	9.4	4.8	10.9	7.0	25.1	27.5
Overseas	19.4	11.5	13.9	13.9	44.8	54.6
Delineation Expenditure (\$ million)						
Australia	6.5	15.1	13.5	12.4	35.1	25.4
Overseas	9.5	12.4	3.2	8.9	25.1	12
Development* Expenditure (\$ million)						
**Australia	148.6	167.6	125.1	118.2	441.3	362.2
Overseas	9.9	7.6	4.5	9.4	22	31.8
Total Expenditure (\$ million)	203.3	219.0	171.1	169.8	593.4	513.5
* Includes construction and fixed assets expenditure						
** Prior year comparative adjusted to include Darwin LNG expenditure for 2003 YTD.						

ABBREVIATIONS

PJ	= petajoules
bbls	= barrels
t	= tonnes
boe	= barrels of oil equivalent
mmboe	= million barrels of oil equivalent
P&A	= plugged and abandoned
P&S	= plugged and suspended
C&S	= cased and suspended
btu	= British Thermal units
mmcf/d	= million cubic feet per day
bopd	= barrels of oil per day

CONVERSIONS

Sales Gas & Ethane, 1 PJ:	= 171.937 boe x 10 ⁹
Crude Oil, 1 barrel:	= 1 boe
Condensate (Naphtha), 1 barrel:	= 0.935 boe
LPG, 1 tonne:	= 8.458 boe

Third Quarter Activities Report:

	Quarter Ended			YTD		Full Year
	2004 September	2004 June	2003 September	2004	2003	2003
Sales Gas and Ethane (PJ)						
Cooper Basin	35.2	33.8	42.0	92.8	116.6	154.0
Surat/Denison	4.9	3.6	3.4	12.1	10.9	14.3
Amadeus	2.5	2.6	2.9	7.9	8.7	11.7
Otway	1.0	1.6	3.7	4.0	11.1	11.9
Gippsland- Patricia Baleen	1.2	0.5	0.7	2.4	1.3	1.9
East Spar	4.1	4.9	4.1	14.1	13.6	17.7
USA	2.3	2.3	2.7	6.9	8.7	11.3
Total Production	51.2	49.3	59.5	140.2	170.9	222.8
Total Sales Volume	57.6	51.3	64.1	150.1	175.5	228.4
Total Sales Revenue	190.1	166.8	196.1	486.9	554.1	720.8
Crude Oil (000's bbls)						
Cooper Basin	817.0	607.7	780.7	2023.7	2067.3	2808.2
Surat/Denison	18.6	28.0	25.0	64.9	64.2	83.1
Amadeus	65.3	49.0	61.6	174.6	200.7	270.0
Elang/Kakatua	68.3	46.1	101.8	183.4	324.4	425.5
Jabiru/Challis	48.4	29.4	69.4	129.8	199.6	257.1
Legendre	709.0	408.7	735.9	1531.0	1765.6	2269.0
Thevenard	146.2	155.9	180.6	450.9	535.7	708.0
Barrow	215.6	221.5	247.4	650.7	724.5	945.2
Stag	425.1	502.6	562.7	1579.7	1773.5	2617.2
Airlie	0.0	0.0	0.0	0.0	0.0	0.0
SE Gobe	67.4	78.3	92.0	223.8	290.5	376.5
USA	53.5	20.9	52.9	127.4	159.1	212.2
Total Production	2634.4	2148.1	2910.0	7139.9	8105.1	10972.0
Oil price (Avg \$/bbl)	57.4	50.6	42.8			
Total Sales Volume	2226.1	2604.2	2872.8	7134.7	7898.3	10958.6
Total Sales Revenue	127.7	131.9	122.9	357.2	350.8	477.7
Condensate (000's bbls)						
Cooper Basin	417.1	305.9	562.6	884.0	1584.3	2111.7
Surat/Denison	3.6	0.2	6.2	5.8	9.7	10.9
Bayu Undan	471.5	253.7	0.0	761.1	0.0	0.0
Otway	5.8	11.9	16.5	27.0	64.1	73.5
East Spar	172.6	215.9	200.0	630.1	661.8	858.3
USA	26.8	35.0	6.1	69.1	14.3	25.6
Total Production	1097.4	822.6	791.4	2377.1	2334.2	3080.0
Total Sales Volume	1186.2	528.6	814.9	2195.0	2312.4	3246.6
Total Sales Revenue	78.1	29.5	35.9	129.3	109.1	150.0
LPG (000 t)						
Cooper Basin	39.4	12.7	66.6	56.8	182.9	240.7
Surat/Denison	0.1	0.0	0.0	0.1	0.0	0.0
Bayu Undan	21.2	5.4	0.0	26.6	0.0	0.0
Total Production	60.7	18.1	66.6	83.5	182.9	240.7
Total Sales Volume	43.7	12.0	72.9	71.1	185.6	256.7
Total Sales Revenue	24.4	5.9	31.5	37.4	88.5	116.5
TOTAL						
Production (mmboe)	13.0	11.6	14.4	34.2	41.2	54.2
Sales Volume (mmboe)	13.6	12.0	15.3	35.6	41.8	55.4
Sales Revenue (\$Am)	420.3	334.1	386.4	1010.8	1102.5	1465.0