Santos

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newsrelease

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Santos advances to record 2002 production

Australian-based oil and gas group, Santos Limited, today announced record production and sales volumes for the year ended 31 December, 2002.

The Company also achieved higher sales revenue of $1.48 billion - the second highest annual revenue for Santos since its formation nearly 50 years ago.

The record performance is detailed in the Company's 2002 Fourth Quarter Activities Report.

Santos today reported:

- A 2.9% increase in full year production to a record 57.3 million barrels of oil equivalent (mmboe) from the Company's expanding Australian and international operations. This compared with 55.7 mmboe for full year 2001
- 2002 full year sales volumes rose 3.1% to a record 56.8 mmboe from 55.1 mmboe in the previous 12 months
- Sales revenue for the year totalled $1.48 billion, a 1.3% increase on the 2001 result of $1.46 billion, and fractionally below the record $1.49 billion in sales achieved in 2000 - a period of sustained record oil prices.

Santos' Managing Director, Mr John Ellice-Flint, said the record annual production was a most positive result, which benefited from a continuing strong performance during the December quarter.

"Total revenue of $399.6 million for the final three months of 2002, was the third highest on record for any quarter and 19.8% ahead of the comparable 2001 period," he said.

This $66 million improvement was achieved through an average Australian dollar oil price of $49.17 per barrel for the quarter compared with $33.97 for the previous corresponding period.

Increased sales in the Victorian market saw total gas sales quantities for the quarter rise 7.0% to 56.6 Petajoules (PJ) compared with 53.0 PJ for the last three months of 2001.

Santos Limited is a major Australian oil and gas exploration and production company with interests in all Australian hydrocarbon provinces. The Santos group also operates in the USA, Indonesia and PNG.

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

STOCK EXCHANGE ACTIVITIES REPORT FOR QUARTER ENDING 31 DECEMBER 2002

(All comparisons made against 2001 fourth quarter unless otherwise indicated)

1. PRODUCTION AND SALES OVERVIEW

Total annual production for 2002 of 57.3 mmboe is 2.9% higher than for 2001 (55.7 mmboe) and a record for Santos.

Fourth quarter total production volumes were 14.4 million barrels of oil equivalent (mmboe) compared with 14.5 mmboe in the same period in 2001.

Fourth quarter sales volumes remained constant at 14.2 mmboe and contributed to a record 2002 year end total of 56.8 mmboe, a 3.1% increase over 2001.

Sales revenue was up by $66.1 million on the comparative quarter, an increase of 19.8% and contributed to total sales revenue for 2002 of $1,478.4 million, 1.3% higher than the previous year.

Fourth Quarter Overview

Fourth quarter sales gas and ethane production increased by 3.7% to 59.3 petajoules (PJ), largely driven by higher production in the onshore Otway Basin (Vic) (+1.7 PJ), Surat/Denison Trough (Qld) (+1.2 PJ) and East Spar (WA) (+1.1 PJ).

Onshore Otway gas production rose by 94% to 3.5 PJ due to the optimisation of production at the Heytesbury plant and ongoing production from the Croft 1, Naylor 1 and McIntee 1 wells. Gas production out of the Surat/Denison Trough was up on previous and corresponding quarters due to increased production from the Scotia development.

Oil production in the fourth quarter decreased by 7.6% compared with the third quarter of 2002 due mainly to natural field decline and production limitations in WA's offshore Legendre and Stag fields.

Condensate production decreased by 1.7% to 840,000 barrels and LPG production declined by 4.6% to 64,900 tones, also due to natural field decline.

Gas and ethane sales volumes were 6.8% above the 2001 fourth quarter as a result of increased demand by customers in Victoria, Northern Territory and Western Australia. LPG and condensate sales volumes decreased by 46.6% and 11.9% respectively due to timing of shipments from SA's Port Bonython.

The total sales revenue increase of 19.8% reflects strong sales volumes and the higher average oil and liquids prices during the quarter. Sales revenue from oil was 42.3% higher than the previous corresponding period. Condensate revenue increased by 20.8%.

Sales revenue for gas and ethane increased by 13.3% compared with the 2001 fourth quarter, largely driven by increased sales volumes. LPG sales revenue decreased by 22.3%.

The average realised oil price for the fourth quarter was A$49.17 (US$28.29) per barrel, 44.7% higher than the 2001 fourth quarter of A$33.97 (US$19.33) and 1.0% higher than the third quarter of 2002 of A$48.69 (US$27.98). The average gas price realised in the United States was 90.0% higher than the average Australian price realised in the fourth quarter. Realised LPG prices increased by 45.7% and condensate prices rose by 37.1% on comparative quarters.

2. EXPLORATION

Expenditure on wildcat exploration was $45.4 million in the 2002 fourth quarter. Total exploration expenditure for the full year was $133.2 million for 18 wells.

Fourth Quarter Exploration Activity

Well	Basin	Target	Licence	Santos Interest (%)	Result
Bilip 1	Southern Highlands, PNG	Oil	PPL 190	31.27	P&S
Sardine Creek 1	Denison Trough, Queensland	Gas	ATP 337P	50.00	C&S
Niemeier 1	Karnes County, Texas	Gas	Hall Ranch Project	66.50	C&S
St Joe 1 ST 1	Brazoria County, Texas	Gas	St Arnold Prospect	100.00	C&S
McCarn 1	Karnes County, Texas	Gas	Hall Ranch Project	95.00	P&A
Hamman & Anderson 5	Hordes Ck, Texas	Gas	Goliad County	35.60	Drilling
Immortelle 1	Barrow Basin, Western Aust.	Oil	TP 7	43.71	P&A

The 2002 fourth quarter saw Santos achieve four discoveries from seven wildcat wells, with one well still drilling.

Bilip 1 (PPL 190), Santos' first operated discovery in PNG, intersected a 17 metre oil column overlain with gas and recorded an estimated flow rate of 2,000 barrels of oil per day (bopd). Further appraisal is underway.

In the United States, completion on Niemeier 1 and St Joe ST 1 is underway with facilities being built and pipeline right of way being acquired. Niemeier 1 reached a total depth of 3,811 metres and flowed 96,000 cubic metres of gas per day (CuM/d) (3.4 million cubic feet of gas per day (MMcfg/d)) and 10 barrels of condensate per day (bcpd). St Joe 1 ST 1 well reached a total depth of 3,519 metres and flowed 178,000 CuM/d (6.3 MMcfg/d). Steel ST 1 was spudded in the third quarter of 2002, and completed in the fourth quarter, reaching a total depth of 4,711 metres and flowed 145,000 CuM/d (5.1 MMcfg/d) and 310 bcpd.

During the 2002 fourth quarter, Immortelle 1 in the Barrow Basin (WA TP 7) spudded and although hydrocarbons were encountered, they proved to be sub commercial and the well was plugged and abandoned.

Bosavi 1 (PPL 190) spudded on 22 January and it is anticipated to take 20-25 days for the well to reach total depth.

Santos Ltd as operator of permits VIC/P51, VIC/P52, T/32P and T/33P in offshore southern Australia, acquired 2,518 km of 2D and 820 square km of 3D seismic data over these permits during the fourth quarter. In offshore Western Australia, 900 km of 2D seismic data was acquired in WA 328 P during the quarter. In the Madura Production Sharing Contract (PSC) a survey of approximately 1,050 km 2D seismic over high graded prospects along trend from the Maleo discovery began in December. In the US, Santos acquired over 600 square miles of 3D seismic data in Matagorda County, Texas, targeting Lower Frio and Vicksburg opportunities similar to the Runnells Field and recent discoveries by other operators in the vicinity.

2003 First Quarter Exploration Schedule:

Well	Basin	Target	Gross Resource Potential *	Santos Interest	Expected Spud Date
Bosavi 1	PNG (PPL 206)	Oil	90 mmbbl	48.00%	Spudded 22 Jan
Scallop 1	Gippsland (VIC/RL2)	Gas	315 BCF	20.00%	Drilling (Feb 2003)
Hunt 1	San Patricio County, Texas	Gas	47 BCF	42.00%	Drilling (Feb 2003)
Montgomery 1	Carnarvon, WA (WA 149 P)	Oil	15 mmbbl	18.70%	Drilling (March 2003)

* Mean of the Resource Distribution

3. DELINEATION AND DEVELOPMENT

Delineation and development expenditure was $189.1 million in the fourth quarter of 2002. Total delineation and development expenditure was $627.5 million for the full year.

Delineation Activity

In the Carnarvon Basin, the Mutineer 3 and Exeter 3 appraisal wells were drilled back-to-back to optimise a development plan and determine reserve potential for the Mutineer-Exeter accumulation. Mutineer 3 encountered 8 metres of high quality oil pay in good quality Angel Formation sandstone. Exeter 3, an appraisal well drilled to test the southern extension of the Exeter field, failed to encounter hydrocarbons in the primary objective.

In the Madura PSC, Maleo 2 flowed gas at a rate of 855,000 CuM/d (30.2 MMcfg/d), on a 2 inch choke. Analysis of data from the Maleo field confirmed the resource potential of the field as 250 to 400 billion cubic feet of gas. After the success in Maleo 2, follow up exploration work is currently underway in the Madura PSC.

In the Sampang PSC, an Interim Heads of Agreement was signed on 31 December, 2002, for gas sales of up to 60 MMcfg/d for up to 10 years to Indonesian Power, in Grati, 60 kilometres southwest of the Oyong field on the coast of East Java. Front End Engineering Design studies for the Oyong Development are in progress.

In the Cooper Basin, one near field exploration well and five delineation wells were drilled during the quarter. The near field oil exploration well, Moomba 165, was tested at a flow rate of 1,000 bopd and cased and suspended as a future oil producer. Four delineation wells were also cased and suspended as future gas producers and one well was drilling at the end of the quarter. One delineation well that had been cased and suspended in the third quarter, was completed and brought on line in the fourth quarter.

In southern Australia during the fourth quarter, one near field exploration well, Seamer 1, was drilled and cased and suspended pending completion as a future gas producer.

In eastern Australia, Glentulloch 6 was drilled and cased. It will be fracced and completed in the first quarter of 2003 as a gas producer and connected into the Denison gas gathering system.

During the fourth quarter one delineation well was drilled in the United States. Hamman and Anderson 4 reached a total depth of 3,657 metres and is currently being completed.

Development Activity

In the fourth quarter, work continued in the Timor Sea on the Bayu Undan Gas Recycling project (Santos interest 11.8%) including drilling offshore at the satellite wellhead platform (WP1) and the ongoing construction in Korea, of the two Central Processing Platforms (CPP) and the FSO (Floating Storage Offloading). The first two of six development wells from WP1 were drilled to total depth, both coming in high to prognosis and encountering more net reservoir. The completions have been run and the wells will be production tested once all six WP1 wells are completed. The project is on target for production startup in 2004.

Development work within the Cooper Basin consisted of the drilling of two gas wells (including one spudded in the third quarter) and drilling two oil wells. All wells were completed as producers and brought on line. In addition, during the quarter, one oil well was worked over, four gas wells were brought on line and one well was fracture stimulated to increase production.

In the United States during the fourth quarter, three development wells were commenced. Runnells 8 was drilled and completed with sales commencing on 5 January 2003 at a rate of 23,000 CuM/d (0.8 MMcfg/d), Crocker Perkins 3 was completed with sales commencing on 28 November at a rate of 42,500 CuM/d (1.5 MMcfg/d) and one well is still drilling ahead.

In southern Australia, construction of Patricia Baleen production facilities in eastern Victoria, was delayed in the fourth quarter due to an industrial dispute with construction re-commenced on 4 December 2002. First gas from the Patricia Baleen field is now expected in the first quarter of 2003. This will be Santos' first offshore production in Victoria.

In eastern Queensland, Churchie 1A flowed around 160,000 CuM/d (5.7 MMcfg/d) from air drilling through the Tinowan formation, compared with 37,000 CuM/d (1.3 MMcfg/d) from Churchie 1, drilled conventionally some 200 metres away. The Churchie field is expected to be connected to the Wallumbilla-Silver Springs pipeline in the first quarter of 2003, having received the necessary production and pipeline licences.

4. ACREAGE AWARDS

In December 2002, Santos was awarded its first off-shore South Australian exploration acreage in the Duntroon Basin (EPP 32). The block covers 5,299 square kilometres and is in water depths between 50 and 3,300 metres.

5. BUSINESS DEVELOPMENT

In December 2002, Santos Ltd and the other South Australian and Queensland Cooper Basin producers signed two new long-term contracts with Australian Gas Light Company (AGL) to supply up to a total of 505 PJ of Cooper Basin gas, with supply commencing in 2003 and extending through to 2016. The gas and associated liquids deal is worth in excess of $2 billion to the Cooper Basin producers.

Santos Ltd sold its 5% interest in the T/RL 1 Yolla Joint Venture to Wandoo Petroleum in the fourth quarter. The working interest was not considered to be core, and an opportunity to realise the value of the asset was taken.

Santos also reorganised its interest in the Sole field (VIC RL3). This resulted in OMV acquiring a 35% interest and Mitsubishi Oil acquiring a 30% interest with Santos the other Joint Venture participant. This completes a transaction whereby Santos secured 20% of the Patricia Baleen Joint Venture. There are now common joint venture partners for the Patricia Baleen and Sole fields.

Santos purchased a 30% working interest in the Knight Project located in Polk County, Texas, approximately 73 miles (117 kilometres) northeast of Houston. The project targets Lower Cretaceous age gas reservoirs offsetting a 700 billion cubic feet field. It features a new 83 square mile 3D survey with over 27,000 net acres of leases to explore, with the first well scheduled to commence in the third quarter of 2003.

6. HEDGING

The table below details the hedge position as at 31 December 2002.

	2003	2004	2005 +
Oil and Liquids			
Avg. price US$/bbl	25.234		
Swaps (Mmboe)	3.290		
US Natural Gas			
Avg. price - floor/cap US$/Mmbtu	3.25/4.00		
Collars (Mmbtu)	1,642,500		
Currency			
Total (US$m)	63	55	101
Avg. exchange rate	0.6534/0.6668	0.6127	0.5740

2002 Fourth Quarter Activities Report					
	Quarter Ended			Full Year	
	2002	2002	2001	2002	2001
	December	September	December		
Sales Gas and Ethane (PJ)					
Cooper Basin	41.2	45.0	43.4	165.0	165.7
Surat/Denison	3.9	2.9	2.7	12.4	10.6
Amadeus	3.1	2.5	3.0	11.3	10.9
Otway	3.5	3.2	1.8	11.5	7.2
East Spar	5.0	5.4	3.9	20.8	19.7
USA	2.6	2.7	2.4	10.0	5.2
Total Production	**59.3**	**61.7**	**57.2**	**231.0**	**219.3**
Total Sales Volume	**56.6**	**63.0**	**53.0**	**228.0**	**217.8**
Total Sales Revenue ($m)	**166.5**	**183.7**	**147.0**	**659.6**	**617.9**
Crude Oil (000's bbls)					
Cooper Basin	729.6	752.9	751.9	2974.4	3079.1
Surat/Denison	14.9	14.8	29.5	91.8	115.8
Amadeus	56.8	75.0	68.9	273.7	306.0
Elang/Kakatua	138.8	140.7	134.6	568.4	870.5
Jabiru/Challis	73.4	53.6	84.1	270.6	288.8
Legendre	583.0	658.4	691.8	2558.5	1461.3
Thevenard	209.1	230.8	282.0	913.3	1046.7
Barrow	251.9	261.4	255.8	1023.2	1097.6
Stag	707.5	799.1	858.4	2860.2	3736.2
Airle	0.0	0.0	2.5	0.5	12.8
SE Gobe	93.8	110.6	123.9	413.7	510.7
USA	41.1	42.8	41.5	196.8	83.5
Total Production	**2899.9**	**3140.1**	**3324.9**	**12145.1**	**12609.0**
Oil price (Avg $A/bbl)	**49.17**	**48.69**	**33.97**	**44.74**	**45.53**
Total Sales Volume	**3201.3**	**3045.5**	**3257.5**	**12294.6**	**12322.4**
Total Sales Revenue ($m)	**157.4**	**148.3**	**110.6**	**550.2**	**561.0**
Condensate (000's bbls)					
Cooper Basin	558.1	545.6	606.3	2239.5	2291.9
Surat/Denison	1.5	2.7	5.8	13.4	22.3
Otway	28.9	29.5	16.6	108.6	70.3
East Spar	247.3	268.1	209.9	1053.4	1066.3
USA	4.2	5.2	16.1	37.6	39.4
Total Production	**840.0**	**851.1**	**854.7**	**3452.5**	**3490.2**
Total Sales Volume	**948.4**	**857.5**	**1076.9**	**3505.7**	**3633.9**
Total Sales Revenue ($m)	**47.0**	**42.0**	**38.9**	**156.0**	**165.5**
LPG (000 t)					
Cooper Basin	64.4	67.8	67.1	253.3	255.1
Surat/Denison	0.5	0.6	0.9	2.8	3.3
Total Production	**64.9**	**68.4**	**68.0**	**256.1**	**258.4**
Total Sales Volume	**49.3**	**69.7**	**92.4**	**237.2**	**232.9**
Total Sales Revenue ($m)	**28.7**	**31.5**	**36.9**	**112.7**	**115.3**
TOTAL					
Production (mmboe)	**14.4**	**15.2**	**14.5**	**57.3**	**55.7**
Sales Volume (mmboe)	**14.2**	**15.3**	**14.2**	**56.8**	**55.1**

Sales Revenue ($Am)	**399.6**	**405.5**	**333.5**	**1478.4**	**1459.7**
Exploration, Delineation and Development Expenditure ($A million)					
	Quarter Ended			**Full Year**	
	2002	2002	2001	2002	2001
	December	September	December		
Exploration					
Australia	17.7	19.0	24.2	63.7	102.4
Overseas	27.7	13.5	11.7	69.5	48.4
Delineation (1)					
Australia	23.6	16.0		64.1	
Overseas	11.0	10.7		26.2	
Development (2)					
Australia	125.4	115.9	146.7	474.5	473.1
Overseas	29.1	13.9	16.9	62.7	36.3
Total Explor & Dev Exp	234.5	189.0	199.5	760.7	660.2

(1) Delineation amounts for 2001 are included in Exploration expenditure
(2) Includes construction and fixed assets expenditure

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

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