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## **New Australian oil field to start production ahead of time and under budget**

Santos Limited is pleased to announce that oil production from the Mutineer-Exeter oil fields, 160 km off the coast of north-western Australia, will commence next month, several months ahead of schedule and ten per cent below budget.

First Mutineer-Exeter oil production – previously planned to start in June 2005 – will now begin in March. Initial production is expected to be 70,000 to 90,000 barrels of oil per day.

This accelerated start-up date has been possible because of the excellent development schedule achieved by Santos for the delivery of the Floating Production Storage and Offtake (FPSO) production facility and the sub-sea system.

The Mutineer-Exeter development, which is Santos' first operated offshore oil project, is expected to have a pay-back period of less than two years – and could be significantly less if current high oil prices continue.

In its reserves announcement, also issued today, Santos confirmed a downward revision in Mutineer-Exeter oil reserves, which was foreshadowed in August 2004.

Further drilling during 2004 and early 2005 has indicated that the reservoir distribution was more complex than originally interpreted, resulting in total (gross) proved plus probable reserves now being estimated to be 61 million barrels (mmbbls) (previously 101 mmbbls).

While results in the initial appraisal stage were generally as, or better than predicted, the top of the main reservoir of the field has proven to be deeper than expected in some parts of the Mutineer field and the oil pay has been thinner in a number of key wells.

However four horizontal wells have been successfully drilled and completed with state of the art dual Electric Submersible Pumps (ESPs) that are expected to provide high initial production rates.

"This early FPSO development, at a time of high oil prices, has significantly increased the value of the fields", said Santos' Managing Director, Mr John Ellice-Flint.

“It is also significant that first production will occur only three years from the Norfolk 1 oil discovery and only 17 months from development approval,” said Mr Ellice-Flint.

“This achievement is world-class and is ahead of the top quartile project development benchmarks set when development approval was given.

“Reserve risk has been managed by having a development plan designed to provide a substantial degree of both upside and downside flexibility to cope with a wide range of reserve outcomes”.

“Fast-track developments have risks but also rewards. We plan to bring the fields into production at least a year earlier than would have been possible if additional appraisal drilling had been carried out prior to project sanction.

While overall production over the life of the fields is expected to be lower than originally predicted, mean 2005 production is now expected to be around 15 mmbbls - higher than expected at the time of development approval.

In 2006 mean production of around 19 mmbbls is expected.

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