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Santos

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28 August 2003

BY COURIER

Mr Russell Phillips
General Manager
Regulatory Affairs – Gas
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602 *2/1/8*

Dear Mr Phillips

2002/03 Ring Fencing Compliance Reports – Ballera to Mt Isa Pipeline

We refer to your letter of 4 June 2003, and to previous correspondence.

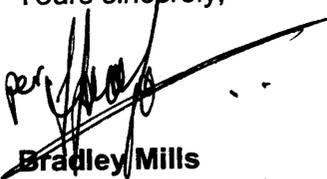
In accordance with the requirements of section 4.13 of the *National Third Party Access Code for Natural Gas Pipeline Systems*, please find enclosed the following original documents:

- (a) Statement of Compliance in respect of the Ballera to Mt Isa Pipeline; and
- (b) Ring Fencing Compliance Reports for Santos Limited, Santos Petroleum Pty Ltd, Vamgas Pty Ltd and Santos Hydrocarbons Pty Ltd.

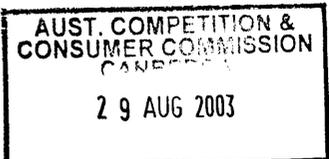
Please note that, as per an email of Ms Nicole Moffat of your Department, dated 17 July 2003, Santos Limited has arranged for an extension for the lodgement of these documents from 31 July 2003 to 29 August 2003.

Please do not hesitate to contact the writer on (07) 3228 6669 or at bradley.mills@santos.com should you have any questions.

Yours sincerely,


Bradley Mills
Corporate Counsel

Encls.



Statement of Compliance

Statement of Compliance for:-

- Santos Limited ABN 80 007 550 923
- Santos Petroleum Pty Ltd ABN 95 000 146 369
- Vamgas Pty Ltd ABN 76 006 245 110
- Santos Australian Hydrocarbons Pty Ltd ABN 83 010 850 487

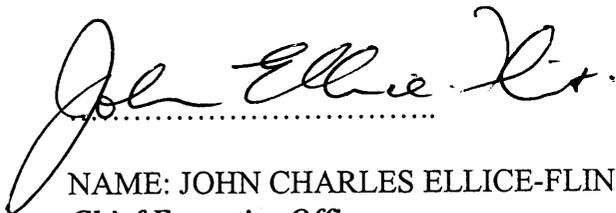
for the financial year 2002/03

Ballera to Mt Isa Pipeline

1. Attached is the annual Ring Fencing Compliance Reports for Santos Limited, Santos Petroleum Pty Ltd, Vamgas Pty Ltd, Santos Australian Hydrocarbons Pty Ltd (the "Santos Service Providers") for the year ending 30 June 2003. The Santos Service Providers have not varied the Ring Fencing Compliance Report or Statement of Compliance in any material manner from the original forms sent by the ACCC, other than to provide the information required.
2. The Santos Service Providers are not aware of any breach of any of the obligations listed in section 4.1 of the Code other than as detailed in this report.
3. The Santos Service Providers have maintained a compliance program during the relevant period that ensures that:
 - (a) appropriate internal procedures have been established and maintained to ensure compliance with the obligations in section 4.1 of the *National Third Party Access Code for Natural Gas Pipeline Systems* (the "Code");
 - (b) an accurate assessment of these procedures has been made;
 - (c) the Chief Executive Officer of the Santos Service Providers is made aware of any breaches of the ring fencing obligations;
 - (d) remedial action is taken as soon as possible to rectify breaches of the minimum ring fencing obligations and that completion of this action is reported to the Board of Directors; and
 - (e) the compliance program is reviewed regularly and as necessary.

4. The respective Board of Directors of each of the Santos Service Providers have approved this report on 19 August 2003.

Signed by:



.....

NAME: JOHN CHARLES ELLICE-FLINT
Chief Executive Officer

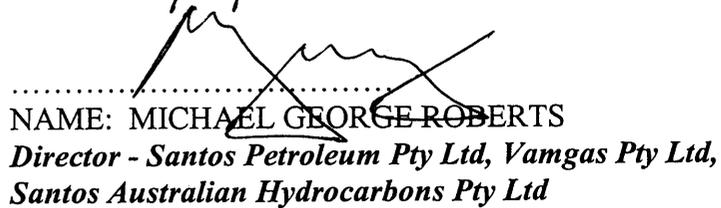
DATE: 19/8/2003



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NAME: STEPHEN GERLACH
Director - Santos Limited

DATE: 19/8/2003



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NAME: MICHAEL GEORGE ROBERTS
*Director - Santos Petroleum Pty Ltd, Vamgas Pty Ltd,
Santos Australian Hydrocarbons Pty Ltd*

DATE: 19/8/2003

Ring Fencing Compliance Report

Ring Fencing Compliance Report for Santos Australian Hydrocarbons Pty Ltd (ABN 83 010 850 487) for the financial year 2002/03

Definitions

Unless otherwise defined, all capitalised terms used in this document have the meaning given to them in section 10.8 of the Code.

Compliance with minimum ring fencing obligations

Santos Australian Hydrocarbons Pty Ltd submits this report under section 4.13 of the Code. The report describes the measures taken to ensure compliance with its obligations under section 4 and provides an accurate assessment of the effect of those measures.

Santos Australian Hydrocarbons Pty Ltd will, pursuant to section 4.14 of the Code, notify the Commission immediately on becoming aware of a breach (or potential breach) of its obligations under section 4 of the Code. Notification should be directed to the General Manager, Regulatory Affairs – Gas, ACCC.

1. Service Provider is a legal entity

Section 4.1(a) of the Code requires a Service Provider to be a legal entity.

Santos Australian Hydrocarbons Pty Ltd is a legal entity, being an Australian company incorporated under the laws of Queensland and limited by shares.

2. Not carry on a Related Business

Section 4.1(b) of the Code requires that a Service Provider not carry on a Related Business (essentially a business of producing, purchasing or selling natural gas).

ACCC granted Santos Australian Hydrocarbons Pty Ltd a waiver of its obligations under section 4.1(b) of the Code in a Final Decision dated 30 May 2002.

Santos Ltd considers that there has been no relevant or material change to the reasons for that Final Decision since 30 May 2002.

Santos Australian Hydrocarbons Pty Ltd is a wholly owned subsidiary of Santos Limited. Santos Limited has petroleum interests throughout Australia both on and offshore and internationally, including South East Asia, Papua New Guinea and the United States of America, held either directly or indirectly through its subsidiaries (including Santos Australian Hydrocarbons Pty Ltd). The Annual Report of Santos Limited, lodged yearly with the Australian Securities and Investments Commission and available to the public, describes the main business activities of Santos Limited (and its subsidiaries) in natural gas.

The main business activity of Santos Australian Hydrocarbons Pty Ltd is the production and sale of gas from an unincorporated joint venture holding various petroleum interests in South-West Queensland. Santos Australian Hydrocarbons Pty Ltd also holds a minority interest of

0.36% in the Ballera to Mt Isa Pipeline also known as the Carpentaria Gas Pipeline (“BMIP”) and Santos Ltd with its subsidiaries holds a total minority interest of 18.018%. Santos Australian Hydrocarbons Pty Ltd’s business activity includes the production and sale of natural gas which is in part transported through the BMIP.

For the purposes of this Compliance Report, the interests held by Santos Limited (and its subsidiaries) in businesses in Queensland with any involvement in producing, purchasing or selling natural gas are listed below:

Joint Venture	Operator	Santos Associate involved in Joint Venture	% Interest
EASTERN QUEENSLAND			
Barcoo JV ***	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	85.00
Burunga JV	Santos QNT Pty Ltd	Santos QNT Pty Ltd Vamgas Pty Ltd	84.375 15.625
Cockatoo Ck ***	Santos QNT Pty Ltd	Santos QNT Pty Ltd	100.00
Denison Trough JV (ATPs)	Santos Petroleum Operations Pty Ltd	Santos Petroleum Operations Pty Ltd	50.00
Drillsearch JV	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	21.25
Kalima JV ***	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	85.00
Mascotte JV	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	42.50
Roma JV	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd <i>Note: Santos Petroleum Marketing Pty Ltd appointed as gas sales and marketing representative</i>	85.00
Scotia JV	Moonie Oil Pty Ltd	Moonie Oil Pty Ltd Vamgas Pty Ltd	84.375 15.625
Snake Creek East JV	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	25.00
Trinidad JV ***	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd Santos Exploration Pty Ltd	42.50 50.00
Waldegrave/Avondale JV	Associated Petroleum Pty Ltd	Associated Petroleum Pty Ltd	46.25
Wungoona JV	Santos (BOL) Pty Ltd	Santos (BOL) Pty Ltd	50.00

Joint Venture	Operator	Santos Associate involved in Joint Venture	% Interest
SOUTH WEST QUEENSLAND			
SWQ Unit Gas	Santos Ltd	Santos Ltd	32.6300
		Santos Petroleum Pty Ltd	18.7200
		Santos Australian Hydrocarbons Pty Ltd	1.2000
		Vamgas Pty Ltd	7.5125

Note: *** Non Producing

3. Establish and maintain separate and consolidated sets of accounts

Section 4.1(c) of the Code requires Service Providers to establish and maintain separate accounts for the activity that is the subject of each Access Arrangement.

Section 4.1(d) of the Code requires Service Providers to establish and maintain a consolidated set of accounts for all the activities undertaken by the Service Provider.

Separate accounts are maintained with respect to the interest held by Santos Australian Hydrocarbons Pty Ltd in the BMIP. The separate account is maintained through a general ledger account.

A consolidated set of accounts is maintained for the entire business of Santos Limited (including Santos Australian Hydrocarbons Pty Ltd) as required under the Corporations Act 2001 (Cth).

4. Allocation of shared costs

Section 4.1(e) of the Code requires Service Providers to allocate costs in a fair and reasonable manner that is consistent with the principles in section 8.1 of the Code.

Santos Australian Hydrocarbons Pty Ltd is not the operator of the BMIP and does not allocate costs to the BMIP Joint Venture accounts.

5. Treatment of Confidential Information

Under sections 4.1(f) and (g) of the Code, Service Providers must ensure that:

- *Confidential Information provided by a user or prospective user is used only for the purposes for which it was provided and is not disclosed without the user or prospective user's consent; and*
- *Confidential Information obtained by a Service Provider which might reasonably be expected to materially affect the commercial interests of a user or prospective user is not disclosed to any other person without the permission of the user or prospective user to whom the information pertains.*

Note that where functions of the Service Provider have been outsourced to a third party, the Service Provider is responsible for ensuring that any Confidential Information provided to the third party is handled in accordance with sections 4.1(f) and (g) of the Code.

The following policies and measures have been put in place to meet the requirements of sections 4.1(f) and 4.1(g) of the Code:-

- A protocol and procedure has been put in place to meet the requirements of sections 4.1(f) and 4.1(g) of the Code. The protocol and procedure:-
 - (i) Provides that the management of the commercial/operational aspects of the BMIP are conducted by the Senior Commercial Advisor within the Commercial team of Santos' Northern Australian Business Unit (NABU) reporting to the Manager Commercial of NABU.
 - (ii) The management of marketing and sale of SWQ gas that may be transported through the BMIP is conducted by the Marketing Employees within the Marketing team of Santos' NABU. The Manager Commercial for the Central Australian Business Unit has responsibility in relation to marketing matters for SWQ gas.
 - (iii) The Senior Commercial Advisor and the Marketing Employees are prohibited from carry out any of the following:
 - (a) discussing any matters concerning the BMIP, the management of the commercial/operational aspects of the BMIP or the marketing or sale of SWQ gas which may be transported through the BMIP; and
 - (b) exchanging files, agreements, documents or correspondence concerning the BMIP, the management of the commercial/operational aspects of the BMIP or the marketing or sale of SWQ gas which may be transported through the BMIP.
 - (c) each of the Senior Commercial Advisor and the Marketing Employees are required to maintain separate files and filing systems for correspondence and separate protected folders within network drives for electronic information and correspondence relating to their aspects of the BMIP.
 - (iv) The Senior Commercial Advisor and the Marketing Employees are required to read Section 4 of the National Third Party Access Code for Natural Gas Pipeline Systems with respect to ring-fencing arrangements and understand the obligations contained therein to the extent that they are relevant to their roles within Santos.
- The Senior Commercial Advisor and the Marketing Employees are required to and have signed the protocol and procedure. The Senior Commercial Advisor and the Marketing Employees have agreed that the protocol and procedures are Santos policy to the extent that they relate to their roles within Santos.
- Information kept in an electronic format (eg. a shared network drive) cannot be shared between the Senior Commercial Advisor and the Marketing Employees and their respective secretarial support staff through password-protected folders.

The policy and procedures are monitored on a day to day basis and as necessary through awareness processes.

6. Marketing Staff

Service Providers must ensure that:

- *their Marketing Staff (essentially those directly involved in sales, sale provision or advertising for the Service Provider) are not also working for an Associate that takes part in a Related Business (section 4.1(h) of the Code); and*
- *the Marketing Staff of an Associate involved in a Related Business are not also working for the Service Provider (section 4.1(i) of the Code).*

Note that in answering the questions below, the broadest possible meaning is to be given to 'servants, consultants, independent contractors or agents'.

[Please indicate whether any of «Service_Provider»'s Marketing Staff are also servants, consultants, independent contractors or agents of an Associate that takes part in a Related Business. If so, please describe the situation.]

The BMIP Joint Operating Agreement appoints Roverton Pty Ltd (a subsidiary of the Australian Pipeline Trust) ("Roverton") as the operator of the pipeline which has subcontracted the role to Agility Management Pty Ltd (a subsidiary of the Australian Gas Light Company) ("Agility Management"). Santos Australian Hydrocarbons Pty Ltd is not involved in the marketing or operation of the BMIP and is involved in BMIP management only through the Management Committee where it does not have the ability to influence the majority of management decisions.

Please indicate whether any of «Service_Provider»'s servants, consultants, independent contractors or agents are also Marketing Staff of an Associate that takes part in a Related Business. If so, please describe the situation.

The BMIP Joint Operating Agreement appoints Roverton as the operator of the pipeline which has subcontracted the role to Agility Management. Santos Australian Hydrocarbons Pty Ltd is not involved in the operation of the BMIP and is involved in BMIP management only through the Management Committee where it does not have the ability to influence the majority of management decisions.

Describe the procedures that «Service_Provider» has in place to ensure that it complies with section 4.1(h) and 4.1(i) of the Code (for example, declarations signed by new staff). Outline how often these procedures are reviewed and assessed.

Refer answer to question 5 above. Additionally, Santos Australian Hydrocarbons Pty Ltd does not consider that it has transmission staff that work in a marketing capacity.