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Clarification re Banjar Panji 1 Well incident

Further to our release dated 27 June 2006, Santos wishes to provide the following clarification regarding the well control incident at the Banjar Panji-1 onshore exploration well located in the Brantas PSC near Surabaya on the Indonesian island of Java, in which a Santos company has a non-operated 18% interest.

Recent media articles include speculation as to the cause of the well control incident and seek to quantify the damage caused.

Santos wishes to clarify for the market that investigations into the cause of the incident by the Operator of the PSC, Lapindo Brantas Inc, and the Government of Indonesia's oil and gas regulator, BPMigas, are ongoing. At this time, there have been no final conclusions arising from these investigations.

In addition, as the mud and water flows continue, clean up operations are unable to commence in earnest. Accordingly, an accurate quantification of damage is not possible at this stage and any speculation is premature.

Further announcements will be made as information becomes available.

The PSC is operated by Lapindo Brantas, which holds a 50% interest; PT Medco E&P Brantas has a 32% interest and Santos (Brantas) Pty Ltd has an 18% interest.

Ends

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