

Media enquiries

Kathryn Mitchell
+61 8 8218 5260 / +61 (0) 407 979 982
kathryn.mitchell@santos.com

Investor enquiries

Andrew Seaton
+61 8 8218 5157 / +61 (0) 410 431 004
andrew.seaton@santos.com

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Jeruk-3 Progress Report and Resource Downgrade

The Jeruk-3 appraisal well is being drilled in the Sampang PSC, offshore Indonesia, approximately 1.8 km west of Jeruk-1 and 40 km south east of Surabaya.

As reported by Santos on 18 May 2006 and 8 June 2006, the Jeruk-3 appraisal well tested oil from the top of the reservoir section.

The well has subsequently been deepened to 4894m TVDSS. Interpretation of pressure data obtained to date infers an oil water contact at approximately 4760m TVDSS.

The height of the known hydrocarbon column in the Jeruk structure is now considered to be approximately 145m compared to the originally interpreted 379m.

This has reduced the most likely contingent resource to less than the 170 mmbbl estimate previously provided to the market in January 2005.

This is a complex reservoir and further appraisal will be required to determine whether a common oil water contact exists across the structure.

A test of the bottom hole section of the Jeruk-3 appraisal well is planned for next week. This test is expected to confirm the interpreted location of the oil/ water contact, and provide further reservoir and pressure data.

Following the completion of Jeruk-3, the rig will be released to drill other Santos wells, allowing time to integrate well and seismic data to better determine the most likely resource range.

The participants in the Sampang PSC are:

Santos (Sampang) Pty Ltd (operator)	40.5%
Singapore Petroleum Sampang Ltd	36.0%
Cue Sampang Pty Ltd	13.5%
PT Petrogas Oyong Jatim*	10.0%

* subject to finalisation of documentation

Ends

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

Santos Limited ABN 80 007 550 923
GPO Box 2455, Adelaide SA 5001
Telephone: +61 8 8218 5111 Facsimile: +61 8 8218 5131
www.santos.com