

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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Santos announces \$474 million Delhi acquisition

Santos today announced it had reached agreement on the terms of a \$474 million acquisition of Delhi Petroleum Pty Limited (Delhi), to increase its stake in the Cooper Basin oil and gas fields.

The acquisition includes Santos buying all of the equity in the Delhi Group of Companies (Delhi Group) and the transfer to Santos of the associated ASX-listed Floating Interest Energy LinkeD Securities (FIELDS ASX: AEYG) issued by the Australian Onshore Energy Fund (AOEF), via a creditors scheme of arrangement (Scheme).

Under the Scheme, FIELDS noteholders will be offered a cash payment of \$83.25 for each FIELDS, representing a 38% premium to the 30 day volume weighted average price to 27 June 2006 of \$60.43. In addition FIELDS noteholders will be entitled to receive the scheduled August 2006 quarterly interest payment of \$2.8058 per FIELDS.

Westpac Funds Management Limited (WFML), the Responsible Entity for AOEF, will convene the Scheme meeting to seek approval from FIELDS noteholders for the transfer of the FIELDS to Santos.

The Directors of WFML have welcomed Santos' offer and intend to recommend the offer to FIELDS noteholders, subject to a finding by an Independent Expert that the Scheme is in the best interests of FIELDS noteholders, and in the absence of a higher offer.

The successful completion of the acquisition will increase Santos' interest in the Cooper Basin joint venture from approximately 63% to 85% and add approximately 67 million barrels of oil equivalent of Proven plus Probable reserves as at 31 December 2005.

"Santos is pleased to have reached agreement with the WFML Board and shareholders of the Delhi Group on an outcome which is mutually beneficial to Santos and the FIELDS noteholders," Santos Managing Director, Mr John Ellice-Flint, said today.

"Delhi is a natural acquisition for Santos given our long-term operatorship of the Cooper Basin assets and builds on our strategy to extend and enhance the value of our existing core area in eastern Australia," he said.

“The acquisition will be earnings and cash-flow per share accretive for Santos based on pro forma earnings for the year ending 31 December 2007.”

Details of the proposed Delhi acquisition

The acquisition values FIELDS in aggregate at approximately \$250 million compared with a face value of \$300 million. Santos would also assume the outstanding balance of the senior debt owed by Delhi of approximately \$218 million (estimated balance at 1 October 2006), and make a net payment of \$6 million in respect of the Delhi equity.

The acquisition of the equity in Delhi and the transfer of FIELDS to Santos are each conditional upon the successful completion of the other.

Santos has entered into agreements with WFML and shareholders of the Delhi Group, under which they and Westpac must not solicit, subject to fiduciary duties, any alternative transaction. A break fee is payable to Santos if the WFML Board endorses a higher offer.

Under the terms of the transaction agreements, completion of the acquisition is subject to a number of usual conditions which are summarised in an Australian Stock Exchange announcement for the Floating Interest Energy Linked Securities, and which will be disclosed in detail in the Scheme booklet.

Santos has debt facilities in place to fund the entire offer. Refinancing of the debt facilities and Delhi's senior debt facilities will be considered following approval of the scheme and will be consistent with maintaining a BBB+ credit rating.

Citigroup Global Markets Australia Pty Limited (Citigroup) is acting as financial adviser and Allens Arthur Robinson is acting as legal adviser to Santos.

Ends

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