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# Santos

**To:** Company Announcements Office  
Australian Stock Exchange Ltd

**From:** Company Secretary

**Date:** 21 July 2006

**Subject:** Listing Rule 3.1

Pursuant to Listing Rule 3.1, attached is a copy of an announcement issued today to the Jakarta Stock Exchange by Lapindo Brantas Inc (**Lapindo**) relating to the Banjar Panji well incident in East Java.

As outlined in releases made to the ASX on 27 and 30 June 2006, Santos Brantas Pty Ltd has a non-operated 18% participating interest in the Brantas production sharing contract (**Brantas PSC**) and relevant joint operating agreement.

Santos has made the Lapindo announcement available for the sole purpose of informing the market as to the status of the remedial operations advised as being undertaken by Lapindo, which operates the Brantas PSC and Banjar Panji well.

W.J. Glanville  
**Company Secretary**

**Lapindo Brantas, Inc reports Banjarpanji-1 update, remedial efforts well underway**

In this update, Lapindo Brantas, Inc. (“Lapindo”) reports that the company is working with the Banjarpanji Emergency Task Force and:

- (i) is working hard with the local government to assist impacted communities,
- (ii) has mobilized a rig that is now on site re-entering the Banjarpanji-1 well
- (iii) has mobilized a second rig to drill a relief well. Both rigs are focused on stopping the mud eruption as soon as possible
- (iv) maintains normal production rates at existing fields
- (v) is fully co-operating with independent enquiries and investigations.

Jakarta, Indonesia – July 21st, 2006: Lapindo, today updated the situation at the Banjarpanji - 1 exploration well. The well is located in the Brantas PSC in the Sidoarjo province, East Java and operated by Lapindo which has a 50% working interest in the PSC. The other working interest partners are PT Medco E&P Brantas (32%) and Santos Brantas Pty Ltd (18%).

On May 29<sup>th</sup>, 2006 the Banjarpanji - 1 well was drilling at a depth of 9,297 feet when steam, water and mud and a minor amount of gas was observed at the surface some 200 meters away from the drilling location. This opening in the ground or ‘broach’ has continued to flow mud. How and at what depth the broach is connected to the original well bore has been studied by several expert groups and the results have been used as the basis for the current remedial operations scheduled to continue over the next two months.

Mud continues to flow from the source until today and Lapindo is working closely with a task force including the Government Executive Agency for upstream oil and gas business activity, BPMIGAS, the Department of Energy and Mineral Resources, the Ministry of the Environment plus Local and Regional Governments, that is, the Banjarpanji Emergency Task Force (“BETF”), to address the situation through four focused teams.

- a. Sub Surface Team – led by Lapindo, and tasked specifically with stopping the source of mud at the earliest possible time.
- b. Surface Management Team – led by the State Ministry of the Environment as tasked with containing the mud flow within as minimum an area as possible and diverting it to the purposely built settlement ponds for further fluid management
- c. Community and Social Impact Team – led by the head of the local government and tasked with ensuring that all impacted people are taken care of, acting as mediator between local communities and Lapindo in relation to compensation claims and ensuring that all remedial actions are well supported by the local communities
- d. Media Relations Team – led by the local government and responsible for local community communications and media relations.

Lapindo is also cooperating fully with the independent government investigation team and other enquiries into the cause of the broach.

Lapindo would like to provide the following up-to-date facts on the situation;

1. Until today, there have been no deaths directly resulting from the well control issue and related mud flow and none have been claimed to be. There have been five deaths amongst the 8,000 people displaced people but these deaths are from natural causes and are unrelated to the incident. There has only been one minor injury directly related to the mud flow.
2. Lapindo is providing free medical assistance to local villagers in the vicinity of the mud flow for whatever reason including respiratory complaints and many people are using these free services.
3. The broach is flowing formation water with suspended and dissolved solids, mostly silt and bigger particles, hence the term mud. The mud is lightly steaming when it emerges at the surface.
4. An independent environmental team samples and analyses the mud, ambient air and local water composition on a regular basis. The samples are fully analyzed for chemical composition and the six characteristics that determine if the mud is hazardous and toxic.
5. The results of multiple analyses are as follows:-

I. Explosive	-	Negative
II. Corrosive	-	Negative
III. Flammable	-	Negative
IV. Toxic	-	Negative
V. Reactive	-	Mildly under extreme conditions
VI. Infectious	-	Negative

Given the above, the independent team lead by the Ministry of Environment has classified the mud as B3 (dangerous and hazardous, however, the hazard level has been emphasized as low).

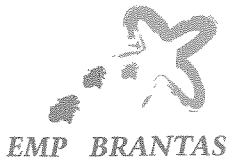
6. There were some traces of Hydrogen Sulphide (H<sub>2</sub>S) gas in the first two days of the mud flow however since then there has been no H<sub>2</sub>S gas coming to the surface. All other gases are in trace quantities below threshold limits confirming the air above the mud is neither hazardous nor toxic. The mud steams when it reaches the surface and has a light smell to it.
7. Lapindo is providing emergency accommodation, amenities, food, water and a cash allowance to the 8,000 villagers displaced by the mudflow in two special compounds. Lapindo is also providing cash allowances to factory workers unable to work where factories have close because of the mud.
8. The area impacted by mud and water (that separates from the mud) currently covers some 200 hectares.
9. The Surabaya Malang Toll Road that runs adjacent to the Banjarpanji 1 well site has re-opened after being closed for 20 days and now is operational.
10. The local rail link which runs between Surabaya and Malang is functioning normally and is so far unaffected.
11. Lapindo has not lost any production from its other producing fields as a result of this incident.
12. All required central and local government regulatory, environmental and operational permits and approvals were in place prior to drilling the well.

13. Lapindo welcomes the strong support received from its joint venture partners, Medco and Santos, in responding to this incident.

The company, the BETF plus government bodies are well coordinated with the immediate priorities being the health and safety of local communities, managing the mud flow and ultimately curtailing the flow and as such the Technical Team has actioned the following steps supported by expert independent well control company, Abel Engineering / Well Control Company emanating from Houston, Texas;

1. Snubbing Unit activities commenced on 29 June 2006 designed to determine conditions in the well bore, confirm the source of any mud flow and potentially to seal off any flow. These activities provided useful information however sealing of the flow was not possible with this limited capacity equipment.
2. A 750 HP rig is now on site to take over from the snubbing unit.
3. Failing step 2 the BETF has secured a 1500 HP international drilling rig and company with relevant experience to drill a relief well some 500 meters from the Banjarpanji -1 well site and 350 meters from the broach. Equipment is now being mobilized, the drill site prepared and we expect the well to spud before the end of July, 2006. The objective of the relief well is to identify and cement off the source of the water or mud and these activities could extend up to two months time from now.

Lapindo maintains appropriate insurance coverage for these types of occurrences. As the mud and water flows continue, clean up operations are unable to commence in earnest. Accordingly, an accurate quantification of damage and remedial activities are not possible at this stage and any speculation is premature.



Lapindo also wishes to clarify for the market that investigations into the cause of the incident by the company and the Government of Indonesia's independent investigation team are on going.

At this time, there have been no final conclusions arising from these investigations. The company is fully co-operating with this independent enquiry, with the relevant authorities including the central and local government and police, etc, and we feel it inappropriate to comment further on the cause of the incident whilst these investigations and enquiries are ongoing. However, an analysis made to date has provided some clues to the Technical team to develop remedial programs as mentioned above.

Imam Agustino  
President/General Manager  
Lapindo Brantas, Inc.