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## Record first half for Santos

Santos today reported record sales revenue of \$1.3 billion for the first half of 2006, an increase of 29% on the corresponding period for 2005.

First half production of 28.7 million barrels of oil equivalent (mmboe) was also a record for Santos and compared with 26.3 mmboe in the previous corresponding half-year.

The record first half reflects increased second quarter production, combined with continuing high prices received for all products.

Total production for the second quarter was 14.9 mmboe which represents an 9% increase on the corresponding quarter in 2005.

Second quarter sales revenue increased by 25% from \$553.2 million in 2005 to \$691.5 million in 2006.

“This is an excellent start to 2006 for Santos. The record first half output places the Company in a strong position to achieve its forecast annual production of between 60 and 61 mmboe for 2006, up from 56 mmboe in 2005,” Santos’ Managing Director, Mr John Ellice-Flint, said today.

“Significantly, the overall result reflects the growing diversity of Santos’ operations which has enabled further production and revenue growth on the back of several new projects coming on line”, he said.

Mr Ellice-Flint said the record first half follows the start-up of the Casino gas field offshore Victoria and the Bayu-Undan LNG project offshore northern Australia, together with increased production from the Fairview coal seam gas field in Queensland.

“Encouraging results were also recorded from the early phases of the Cooper Oil Project, with 25 out of 29 wells successfully encountering oil, and 13 wells brought into production during the first half. This oil exploitation initiative will continue to gain momentum through the second half with four rigs now operating across the Cooper Basin.

“The drilling of a new development well at the Mutineer-Exeter oil field offshore Western Australia increased gross production rates from approximately 35,000 barrels per day to 55,000 barrels per day at the end of the quarter. A further two development wells are currently drilling on the Exeter field which are expected to have a positive impact in the second half,” he said.

Other developments during and subsequent to the second quarter, which are described in more detail in the attached activities report, include:

- An oil discovery at the Dua-4X exploration well in Vietnam;
- Appraisal drilling at the Jeruk oil discovery in Indonesia which reduced the most likely contingent resource for Jeruk to less than the 170 mmbbls previously forecast;
- A well control incident at the onshore Banjar Panji-1 well, near Surabaya in Indonesia. Santos, with an 18% non-operated interest, continues to provide support to the Operator of the well to address the social and environmental consequences, and to stop the flow of mud;
- Agreement on the terms of a \$474 million acquisition of Delhi Petroleum, which is expected to be completed in October 2006, subject to certain conditions including the approval of noteholders in the ASX-listed Floating Internet Energy Linked Securities (FIELDS);
- A gas discovery at the Evans Shoal South exploration well, offshore northern Australia;
- Further delays at the Oyong oil and gas development project offshore East Java, Indonesia, with first oil now anticipated in the second quarter of 2007 and first gas in the second half of 2008.

Ends

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

## STOCK EXCHANGE ACTIVITIES REPORT FOR THE QUARTER ENDING 30 JUNE 2006.

### 1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 30 June 2006 is shown in the table below:

	Quarter Ended			YTD		Full Year
	Q2 2006	Q2 2005	Q1 2006	2006	2005	2005
<b>Sales Gas, Ethane and LNG (PJ)</b>						
Cooper Basin	27.0	31.1	25.0	52.0	63.2	124.7
Surat/Bowen/Denison	7.1	5.1	6.9	14.0	9.4	22.9
Amadeus	2.7	3.0	3.2	5.9	6.2	12.7
Otway/Gippsland	7.6	4.0	4.4	12.0	7.4	14.1
Carnarvon	7.5	0.0	7.5	15.0	1.7	7.7
Bonaparte (LNG)	3.5	0.0	1.5	5.0	0.0	0.0
Indonesia	1.2	1.3	1.0	2.2	2.7	4.6
USA	1.7	3.0	1.8	3.5	6.5	10.6
<b>Total Sales Gas, Ethane and LNG Production</b>	<b>58.2</b>	<b>47.5</b>	<b>51.4</b>	<b>109.6</b>	<b>97.1</b>	<b>197.3</b>
<b>Total Sales Volume</b>	<b>66.7</b>	<b>59.5</b>	<b>52.9</b>	<b>119.6</b>	<b>113.4</b>	<b>228.2</b>
<b>Gas Price (Avg A\$/GJ)</b>	<b>3.78</b>	<b>3.61</b>	<b>3.67</b>	<b>3.73</b>	<b>3.53</b>	<b>3.62</b>
<b>Total Sales Revenue (A\$m)</b>	<b>252.0</b>	<b>215.1</b>	<b>194.3</b>	<b>446.3</b>	<b>400.7</b>	<b>825.7</b>
<b>Condensate (000's bbls)</b>						
Cooper Basin	418.1	495.5	349.2	767.3	984.3	1922.6
Surat/Denison	6.8	6.7	5.8	12.6	15.3	30.8
Amadeus	16.0	17.9	18.9	34.9	17.9	43.7
Otway	6.5	3.7	3.0	9.5	6.1	12.8
Carnarvon	78.0	0.0	105.7	183.7	67.3	101.5
Bonaparte	637.2	318.8	663.4	1300.6	904.4	2139.9
USA	33.1	61.7	40.4	73.5	144.6	236.1
<b>Total Condensate Production</b>	<b>1195.7</b>	<b>904.3</b>	<b>1186.4</b>	<b>2382.1</b>	<b>2139.9</b>	<b>4487.4</b>
<b>Total Sales Volume</b>	<b>1045.8</b>	<b>1082.2</b>	<b>1365.8</b>	<b>2411.6</b>	<b>2353.1</b>	<b>4602.7</b>
<b>Condensate Price (Avg A\$/bbl)</b>	<b>89.95</b>	<b>69.12</b>	<b>79.92</b>	<b>84.25</b>	<b>69.27</b>	<b>75.15</b>
<b>Condensate Price (Avg US\$/bbl)</b>	<b>67.24</b>	<b>53.22</b>	<b>59.09</b>	<b>62.54</b>	<b>52.17</b>	<b>55.74</b>
<b>Total Sales Revenue (A\$m)</b>	<b>94.1</b>	<b>74.8</b>	<b>109.1</b>	<b>203.2</b>	<b>163.0</b>	<b>345.9</b>
<b>LPG (000 t)</b>						
Cooper Basin	48.2	55.0	46.9	95.1	109.8	213.6
Surat/Denison	0.0	0.0	0.0	0.0	0.0	0.0
Bonaparte	28.2	12.7	28.8	57.0	36.5	93.6
<b>Total LPG Production</b>	<b>76.4</b>	<b>67.7</b>	<b>75.7</b>	<b>152.1</b>	<b>146.3</b>	<b>307.2</b>
<b>Total Sales Volume</b>	<b>77.4</b>	<b>41.3</b>	<b>77.8</b>	<b>155.2</b>	<b>139.9</b>	<b>302.2</b>
<b>LPG Price (Avg A\$/t)</b>	<b>630.30</b>	<b>577.27</b>	<b>826.38</b>	<b>728.64</b>	<b>549.28</b>	<b>610.35</b>
<b>Total Sales Revenue (A\$m)</b>	<b>48.8</b>	<b>23.8</b>	<b>64.3</b>	<b>113.1</b>	<b>76.8</b>	<b>184.4</b>
<b>Crude Oil (000's bbls)</b>						
Cooper Basin	844.8	722.1	821.6	1666.4	1444.1	3205.9
Surat/Denison	14.8	19.1	15.9	30.7	37.1	74.5
Amadeus	32.2	41.8	28.1	60.3	108.3	196.4
Legendre	69.5	210.8	108.4	177.9	517.4	882.8
Thevenard	99.9	110.4	73.4	173.3	221.2	473.7
Barrow	163.9	186.3	158.9	322.8	382.1	760.1
Stag	743.0	556.2	688.6	1431.6	1068.5	2363.9
Mutineer Exeter	895.8	2187.6	1152.0	2047.8	2187.6	6492.0
Elang/Kakatua	50.7	65.6	16.7	67.4	123.0	184.1
Jabiru/Challis	44.2	50.1	44.2	88.4	89.3	164.4
Indonesia	28.4	22.9	34.2	62.6	61.1	138.3
SE Gobe	67.5	67.9	68.9	136.4	127.4	269.8
USA	9.2	14.4	8.4	17.6	31.3	58.0
<b>Total Crude Oil Production</b>	<b>3063.9</b>	<b>4255.2</b>	<b>3219.3</b>	<b>6283.2</b>	<b>6398.4</b>	<b>15263.9</b>
<b>Total Sales Volume</b>	<b>3119.9</b>	<b>3411.4</b>	<b>2853.3</b>	<b>5973.2</b>	<b>5741.4</b>	<b>14990.2</b>
<b>Oil Price (Avg A\$/bbl)</b>	<b>95.07</b>	<b>70.20</b>	<b>89.06</b>	<b>92.20</b>	<b>65.94</b>	<b>73.83</b>
<b>Oil Price (Avg US\$/bbl)</b>	<b>71.08</b>	<b>54.06</b>	<b>65.85</b>	<b>68.44</b>	<b>49.67</b>	<b>54.76</b>
<b>Total Sales Revenue (A\$m)</b>	<b>296.6</b>	<b>239.5</b>	<b>254.1</b>	<b>550.7</b>	<b>378.6</b>	<b>1106.8</b>
<b>TOTAL</b>						
<b>Production (mmbœ)</b>	<b>14.9</b>	<b>13.7</b>	<b>13.8</b>	<b>28.7</b>	<b>26.3</b>	<b>56.0</b>
<b>Sales Volume (mmbœ)</b>	<b>16.2</b>	<b>15.1</b>	<b>13.9</b>	<b>30.1</b>	<b>28.7</b>	<b>61.1</b>
<b>Sales Revenue (A\$m)</b>	<b>691.5</b>	<b>553.2</b>	<b>621.8</b>	<b>1313.3</b>	<b>1019.1</b>	<b>2462.8</b>

## **Sales and Production Summary**

Total second quarter production was 14.9 million barrels of oil equivalent (mmboe), an increase of 9% above Q2 2005 and 8% above Q1 2006.

Total sales revenue for the second quarter was \$691.5 million, an increase of 25% above Q2 2005 and 11% above Q1 2006.

## **Production by Product**

*Comparisons with prior periods for gas and associated condensate, LNG and LPG production are made between the current quarter and the same quarter from the previous year, as production is heavily influenced by seasonal factors.*

*Conversely, comparisons for crude oil are made with the immediate previous quarter, as oil production rates are not subject to seasonal variations.*

## **Sales Gas, Ethane and LNG**

Sales gas, ethane and LNG production for Q2 2006 was 58.2 petajoules (PJ), an increase of 23% from Q2 2005.

This increase was the net result of the start-up of production at John Brookes (Q3 2005), Casino (Q1 2006) and Bayu-Undan LNG (Q1 2006) together with contribution from the Fairview field which was acquired during Q3 2005.

Quarterly sales gas, ethane and LNG sales volumes increased by 12% from Q2 2005 to 66.7 PJ. Sales revenue of \$252 million increased by 17% reflecting the increased volumes, coupled with higher gas prices.

The average realised gas price increased by 5% to \$3.78 per gigajoule (GJ) compared with \$3.61 per GJ in Q2 2005.

## **Condensate**

Condensate production of 1.2 million barrels (mmbbl) was 32% or 0.3 mmbbl higher than Q2 2005 due to increased production from Bayu-Undan.

Quarterly condensate sales volumes of 1.0 mmbbls were 3% lower due to the timing of liftings.

Condensate sales revenue of \$94.1 million was 26% higher than Q2 2005.

The realised condensate price increased by 30% to A\$89.95 (US\$67.24) per barrel from A\$69.12 (US\$53.22) in Q2 2005.

## **LPG**

Quarterly LPG production of 76,400 tonnes was 13% higher than Q2 2005 due to increased production from Bayu-Undan.

LPG sales volumes increased to 77,400 tonnes from 41,300 tonnes previously due the timing of liftings. Sales revenue increased by 105% to \$48.8 million from \$23.8 million in Q2 2005.

The realised LPG price increased by 9% to \$630.30 per tonne compared with \$577.27 previously.

### **Crude Oil**

Oil production of 3.06 mmbbl was 5% lower than Q1 2006. This was predominantly due to downtime at Mutineer-Exeter associated with drilling and completing the Mutineer-12 development well, together with natural field decline.

Quarterly oil sales volumes of 3.12 mmbbl were 9% higher than Q1 2006 reflecting the timing of liftings. Crude was overlifted by approximately 0.1 mmbbl during the quarter, compared to 0.4 mmbbl underlifted for Q1 2006.

Oil sales revenue increased by 17% to \$296.6 million for the quarter. The average realised oil price was A\$95.07 (US\$71.08) per barrel, 7% higher than the Q1 2006 average of A\$89.06 (US\$65.85).

### **Production by Area**

#### **Cooper Basin**

Sales gas and ethane production decreased by 13% to 27.0 PJ compared with 31.1 PJ in Q2 2005, reflecting Moomba CO<sub>2</sub> train shutdowns for maintenance, and natural field decline.

In line with the reduced gas throughput, condensate production of 0.42 mmbbl was down 16% and LPG production of 48,200 tonnes was down by 12%.

Crude oil production during Q2 2006 of 0.84 mmbbl was marginally higher than Q1 2006 reflecting the impact of the active capital investment program which has largely reversed natural field decline. Further discussion in relation to the Cooper Oil Project is included in Section 2.3 of this report.

#### **Surat Basin/Bowen Basin/Denison Trough**

Quarterly sales gas production increased by 39% to 7.1 PJ from 5.1 PJ in Q2 2005 due to the inclusion of net production from the Fairview field from July 2005.

#### **Amadeus Basin**

Sales gas production decreased by 10% to 2.7 PJ compared with 3.0 PJ in Q2 2005.

#### **Otway Basin/Gippsland Basin**

Sales gas production increased by 90% to 7.6 PJ from 4.0 PJ in Q2 2005 due to the start-up of production from the Casino field in Q1 2006.

#### **Carnarvon Basin**

Carnarvon Basin gas production increased to 7.5 PJ compared with zero in Q2 2005, reflecting the start-up of the John Brookes field in September 2005.

Condensate production increased to 0.08 mmbbl in line with John Brookes gas production.

Net oil production from Santos' Carnarvon Basin assets decreased by 10% to 1.97 mmbbl from 2.18 mmbbl in Q1 2006.

Net production from Mutineer-Exeter decreased by 22% to 0.90 mmbbls compared with Q1 2006 at an average gross production rate of approximately 29,000 barrels per day.

Approximately 8 days of production was deferred due to cyclone activity during April. The Mutineer-12 development well was successfully drilled and brought on line on 20 June 2006, significantly increasing production late in the quarter. Two further development wells (Exeter-7 and 8) are currently drilling.

At the end of the quarter, Mutineer-Exeter production was averaging approximately 55,000 barrels per day gross.

Stag oil production increased by 8% compared with Q1 2006 to 0.74 mmbbl due to increased uptime and improved field performance.

Legendre oil production was down by 36% to 0.07 mmbbl from 0.11 mmbbl in Q1 2006 due to natural field decline and a planned maintenance shutdown from mid May to mid June 2006.

Barrow Island and Thevenard Island oil production increased by 3% and 36% to 0.16 and 0.10 mmbbls respectively compared to Q1 2006 reflecting increased uptime during the quarter.

### **Timor Sea**

Crude oil production from the Timor Sea fields increased from 0.06 mmbbl to 0.09 mmbbl.

### **Bonaparte Basin**

The Darwin LNG facility completed commissioning during the quarter and production levels were ahead of expectations during the initial ramp-up period.

Net LNG production during Q2 2006 was 64,600 tonnes (3.54 PJ) and net sales were 64,400 tonnes (3.53 PJ).

Bayu-Undan condensate production of 0.64 mmbbl was 100% higher than Q2 2005, due to the planned statutory shutdown which occurred during Q2 2005.

Similarly, Bayu-Undan LPG production of 28,200 tonnes increased by over 120% from 12,700 tonnes in Q2 2005.

### **Indonesia**

Sales gas production from Brantas and Kakap was 1.2 PJ, down from 1.3 PJ in Q2 2005.

Indonesian crude oil production decreased marginally to 0.03 mmbbl.

### **Papua New Guinea**

Oil production at SE Gobe decreased marginally to 0.07 mmbbl.

### **United States**

Sales gas production decreased by 43% to 1.7 PJ from 3.0 PJ in Q2 2005 due to natural field decline.

## 2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

Capital Expenditure Summary (\$ million)	Quarter Ended			YTD		Full Year
	Q2 2006	Q2 2005	Q1 2006	Q2 2006	Q2 2005	2005
<b>Exploration</b>						
Capitalised	37.3	8.5	1.0	38.3	25.2	36.7
Expensed	37.0	28.1	32.0	69.0	53.3	150.3
<b>Delineation</b>						
Capitalised	39.2	14.5	23.0	62.2	24.6	50.6
Expensed	22.9	9.6	7.0	29.9	19.3	47.0
<b>Development</b>	151.7	183.8	146.1	297.8	340.4	674.5
<b>Total Capital Expenditure</b>	<b>288.1</b>	<b>244.5</b>	<b>209.1</b>	<b>497.2</b>	<b>462.8</b>	<b>959.1</b>

### 2.1 EXPLORATION ACTIVITY

Exploration expenditure was \$74.3 million in Q2 2006.

Wildcat drilling activity during the second quarter is shown in the table below:

Well	Basin	Target	Licence	Santos Interest (%)	Well Status
Kincaid-1	GOM - onshore	Gas	Blackhorse Prospect, Tyler County Texas	100	P&A
KMF 228-1	GOM - onshore	Gas	Kenedy Deep Prospect, Kenedy County Texas	55	Temporarily abandoned
GA175-S Unit #2	GOM - offshore	Gas	Bobcat A Prospect, Texas State Waters	100	P&A
Dukuh-1	East Java	Oil & Gas	Sampang PSC, East Java	40.5	P&A
Herbras-1	East Java	Oil	Sampang PSC, East Java	40.5	P&A
Evans Shoal South-1	Bonaparte	Gas	NT/P 48, Northern Bonaparte	40	Gas discovery (subsequent to the end of the quarter)
Amulet-1 <sup>(1)</sup>	Carnarvon	Oil	WA 8 L, Carnarvon Basin	37.37	P&A, oil discovery
Emu Apple-1	Surat	Oil	ATP 470P Redcap Block	10	C&S, oil discovery
Ooline-1	Surat	Oil	ATP 470P Redcap Block	10	P&A
Dua-4X	Vietnam	Oil	Block 12E	37.5	Drilling side-track, oil and gas discovery
Abydos-1	Egypt	Oil	Onshore Gulf of Suez, Nth Zeit Bay concession	50	C&S, tested gas
Banjar Panji-1	East Java	Oil & Gas	Brantas PSC, East Java	18	Well control incident

Note <sup>(1)</sup> Santos did not initially participate in the Amulet-1 discovery, but subsequently re-entered the appraisal phase.

Kincaid-1 onshore Tyler County, Texas was spudded on 15 December 2005 and drilled to a total depth of 5,593 metres. Log evaluation found the primary Woodbine target interval gas bearing and the well was cased hole tested and subsequently abandoned as commercial rates and volumes could not be established.

KMF 228-1, onshore Kenedy County, Texas was spudded on 3 April 2006 and drilled to a total depth of 5,547 metres. The primary Frio sand target was encountered but tested wet by wire line formation tester. Shallower secondary targets, although potentially gas bearing, are currently considered non-commercial. On June 30<sup>th</sup> the rig was released and the well temporarily abandoned.

GA 175-S Unit #2, offshore Texas state waters, was spudded on 3 May 2006 and drilled to a total depth of 3,482 metres. The target Frio reservoir sands were encountered high to prognosis. The well was plugged and abandoned, but studies are continuing on the greater Shipwreck field area rejuvenation potential.

Dukuh-1 spudded on 6 April 2006 in the Sampang PSC, offshore East Java. The well was targeted to evaluate potential sandstone reservoirs in the Plio-Pleistocene section and drilled to 2,685 metres. Minor gas shows were encountered and the well was plugged and abandoned on 21 May 2006.

Herbras-1 was spudded on 24 May 2006 in the Sampang PSC, offshore East Java. The well was targeted to evaluate potential sandstone reservoirs in the Upper and Middle Miocene section and drilled to 2,515 metres. Minor gas shows were encountered and the well was plugged and abandoned on 23 June 2006.

Evans Shoal South-1 within the Northern Bonaparte Gas Province (NT/P48) was spudded on 27 May 2006. Subsequent to the end of the quarter, the well reached a total depth of 4,097 metres and encountered hydrocarbons in both the primary and secondary objectives. The well was not drilled to the planned total depth of 4,225 metres due to poor hole conditions, and has now been plugged and abandoned as programmed.

Amulet-1 offshore Dampier Basin in WA 8-L was spudded on 24 May 2006 with a planned total depth of 2,060 metres. The well encountered a 26 metre oil column in the middle Jurassic Calypso aged sand. Having initially elected not to participate, Santos re-entered the project at this stage. A by pass core hole and two side-track wells were drilled to appraise the discovery. The well was plugged and abandoned as programmed on 21 June 2006.

Emu Apple-1 in the Surat Basin was spudded on 5 June 2006 with a target depth of 1,411 metres. The well was cased and suspended as a new pool oil discovery after intersecting oil pay in the primary objective Boxvale Sandstone.

Ooline-1 in the Surat Basin was spudded on 18 June 2006 with a target depth of 1,446 metres. The well was plugged and abandoned after intersecting wet sands in the primary objective Boxvale Sandstone.

Dua-4X was spudded on 1 May 2006 in the Nam Con Som Basin in Vietnam. The well intersected hydrocarbons and a sidetrack (Dua-4X ST1) was drilled to provide further information. Wireline evaluation of both Dua-4X and Dua-4X ST1 was completed with core samples and well pressure data acquired. As planned, no drill stem test was performed. A second sidetrack Dua-4X ST2 is currently being drilled to evaluate the southern fault block of the Dua structure.

Abydos-1 was spudded on 20 March 2006 with a target depth of 1,266 metres. The well encountered two gas and condensate bearing sandstones in the primary Kareem target and consequently was deepened to test for additional sandstone development. The well reached a total depth of 2,013 metres subsea with rig release on 20 May 2006.

### **Banjar Panji-1 Incident**

As outlined in ASX releases dated 27 June, 30 June 2006 and 21 July 2006, Santos has an 18% interest in the Banjar Panji-1 well located in the Brantas PSC near Surabaya on the Indonesian island of Java. The well is operated by Lapindo Brantas Inc.



On 29 May 2006, a well control incident occurred which has resulted in an uncontrolled flow of mud and water to the surface from a series of nearby vents.

Santos continues to provide support to the Operator, whose immediate focus is to protect the safety and well-being of those in the local community affected by the mud, stop the mud flow and minimise the impact on the environment.

## Seismic Activity

Seismic activity during the second quarter is shown in the table below:

Permit	Area/Basin	Type	Km/Km <sup>2</sup>	Status
ATP-299P	Tarbat-Ipundu, Eromanga Basin	3D Land	38	Complete
WA-26-L, WA-27-L, WA-191-P	Mutineer-Exeter, Carnarvon Basin	3D Marine	215	Ongoing
NT/P-48	Evans Shoal, Bonaparte Basin	3D Marine	960	Ongoing (Phase 1 complete subsequent to the end of the quarter)
T32	Sorell Basin	2D Marine	801	Complete
T33	Sorell Basin	2D Marine	500	Complete
T40	Sorell Basin	2D Marine	884	Complete

## Forward Exploration Drilling Schedule

The current indicative drilling schedule for the remainder of 2006, together with a number of wells planned for 2006, but which have been delayed to 2007, is set out in the table below:

Well/Prospect	Basin/Area	Target	Indicative Prospect Upside Resource Potential (mmboe) Unrisked				Santos % Interest	Quarter Drilling Expected to Commence
			0-50	50-100	100-250	>250		
Galloway	Offshore Gippsland	Oil	✓				37.5	Q3 06
Glenaire	Onshore Otway	Gas	✓				30	Q3 06
Barossa	Bonaparte	Gas				✓	40	Q3 06
Python	Cooper	Gas	✓				61	Q3 06
Blackbird	Vietnam	Oil		✓			37.5	Q3 06
Madi 1 (formally Merpati 1)	East Java	Oil	✓				67.5	Q3 06
Semangka	East Java	Oil/Gas			✓		67.5	Q3 06
Bricklanding	Barrow	Oil		✓			44	Q4 06
Jaguar A	Gulf of Mexico	Gas	✓				75	Q4 06
Thunder 2	Gulf of Mexico	Gas	✓				60	Q4 06
Warden	Gulf of Suez	Oil		✓			50	Q4 06
Lepard	Cooper	Oil/Gas	✓				61	Q4 06
Fletcher	Dampier	Oil		✓			33	2007
Hiu Aman Selatan	Kutei	Gas		✓			50	2007
Kutei (A)	Kutei	Gas/Oil			✓		20	2007
Kutei (B)	Kutei	Gas/Oil		✓			50	2007
Nubia	Gulf of Suez	Oil	✓				50	2007
Cougar L	Gulf of Mexico	Gas		✓			100	2007
Netherby 1	Offshore Otway	Gas	✓				50	2007
Mosaic 1	Bowen	Gas	✓				51	2007
Montegue	Cooper	Gas	✓				61	2007

The exploration portfolio is constantly being optimised therefore the above program may vary as a results of drilling outcomes, new prospects maturing and rig availability.

## 2.2 Delineation Activity

Total delineation expenditure in Q2 2006 was \$62.1 million, of which near field exploration and exploration appraisal expenditure was \$46.3 million and development appraisal expenditure was \$15.8 million.

The table below details the delineation wells drilled during the second quarter and their status:

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Mulberry 10A	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry 12	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Mulberry 13	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry 14	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry 15	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry 16	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry 17	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour 5	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour 8	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour 11	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mimosa 1	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Chancett 1	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Gimboola 2	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Gimboola 3	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Gimboola 4	Cooper/Eromanga - QLD	Oil	89	P&A
Huckleberry 1	Cooper/Eromanga - QLD	Oil	89	P&A
Classic 1	Cooper/Eromanga - QLD	Oil	89	P&A
Raven 4	Cooper/Eromanga - SA	Gas	66.6	Drilling
Frostillicus 1	Cooper/Eromanga - SA	Oil	100	C&S, successful oil
Hoek 1	Cooper/Eromanga - SA	Oil	100	Drilling
Stimpson Jay 1	Cooper/Eromanga - SA	Oil	100	C&S, successful oil
Gnu 1	Carnarvon Basin	Gas	45	Drilling
Jeruk 3	South-East Asia	Oil	40.5	Drilling
Lukah 1X	South-East Asia	Oil	9	C&C, successful gas
Dua 4X ST1	South-East Asia	Oil	37.5	Drilling
Coxon Creek 3	Surat Basin	CSG	85	C&C, successful gas
Coxon Creek 4	Surat Basin	CSG	85	C&C, successful gas
Coxon Creek 5	Surat Basin	CSG	100	C&C, successful gas
Prospect Company et al #1	GOM - onshore	Gas	20.8	P&A
Coquat 1	GOM - onshore	Gas	20.0	P&A

On 14 July 2006, Santos issued an ASX release outlining the progress on the Jeruk-3 appraisal well. The well initially tested oil from the top of the reservoir, but subsequent results indicated that the oil water contact was higher than expected. This has reduced the most likely contingent resource to less than the 170 mmbbl previously provided to the market in January 2005. Jeruk is a complex reservoir and further appraisal will be required to determine whether a common oil water contact exists across the structure.

## 2.3 Development Activity

Development expenditure during the second quarter was \$151.7 million.

The table below details all development wells drilled during the quarter and their status:

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Mudera 8	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Mudera 9	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Mudera 10	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Mudera 11	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Burke 8	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Fly Lake 18	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Fly Lake 19	Cooper/Eromanga - SA	Oil & Gas	66.6	C&S, successful oil & gas
Della 25	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Fly Lake 20	Cooper/Eromanga - SA	Oil & Gas	66.6	C&S, successful oil & gas
Moolion 4	Cooper/Eromanga - SA	Gas	72.3	C&S, successful gas
Marabooka 12	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Brumby 12	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Gimboola 5	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Gimboola 7	Cooper/Eromanga - QLD	Oil	89	P&A
Mulberry 11	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Wunut 19	East Java Basin	Gas	18	C&C successful oil
SE Gobe 14	PNG	Gas	9.39	Drilling
Mutineer 12	Carnarvon Basin	Oil	33.39	C&C, successful oil
Exeter 7	Carnarvon Basin	Oil	33.39	Drilling
Fairview 70	Bowen Basin	CSG	75.25	C&C successful gas
Fairview 60	Bowen Basin	CSG	75.25	C&C successful gas
Fairview 69	Bowen Basin	CSG	75.25	C&C, successful gas
Fairview 105	Bowen Basin	CSG	75.25	C&C successful gas
Fairview 103	Bowen Basin	CSG	75.25	C&C, successful gas
Scotia 32	Bowen Basin	CSG	100	C&C successful gas
HC Drew 2	GOM - onshore	Oil	18.8	Producing oil well
Premiere 5-31	USA – Rocky Mountains	Gas	100.0	P&A

The status of the development projects which were in progress during the quarter is as follows.

### Maleo (Santos 67.5%, operator)

The Maleo project was approximately 92% complete at the end of the second quarter. The Maleo spur line has been laid and hydrotested and the East Java Gas Pipeline hot-tap completed. The Mobile Offshore Production Unit (MOPU) has reached mechanical completion and has commenced the dry tow to site.

The project remains on schedule for first gas in Q3 2006.

### Oyong (Santos 40.5%, operator)

The oil development phase (Oyong Phase I) was approximately 95% complete at the end of the second quarter. All development drilling has been completed. The platform structure has been successfully installed and conversion of the floating storage and offtake vessel has been completed, with the vessel anchored in the field.

However, after delays due to contracting issues, the production barge procurement is currently being re-tendered, with award expected by the end of Q3 2006. As a result of these delays, the anticipated first oil date is now Q2 2007.

The gas development phase (Oyong Phase II) has commenced FEED. First gas deliveries are now expected during the second half of 2008.

### **Cooper Oil Project (Santos 60%-100%, operator)**

Drilling activity associated with the Cooper Oil Project increased during the quarter with the second and third new generation rigs becoming operational. By the end of June, four rigs were drilling for oil in the Cooper Basin.

Results to date have been encouraging with an overall success rate of 86% for the 29 oil wells drilled in the first half.

The drilling performance has been consistently improving, with a spud to spud duration of less than 6 days achieved for the first of the latest generation rigs.

Across the Cooper Basin, a total of 13 oil wells have been brought on line during the first half of 2006, including six wells during June.

The 2006 programme to date has been mainly focused on near field exploration and delineation wells in existing South West Queensland fields such as Mulberry and Endeavour where field limits have been extended. Furthermore, five new field discoveries have been made across the Basin.

Waterflooding to enhance recovery has commenced in the Mulberry field, and positive results have been observed within the first month of operation.

## **3. BUSINESS DEVELOPMENT**

### **Acquisitions/Divestments**

During the quarter:

- Santos acquired a further 2% working interest in the Fairview CSG field from a US based party for US\$13.5 million.
- Santos acquired the Roma Joint Venture interests held by Sunshine Gas Ltd for consideration of A\$10 million, which delivered Santos 100% ownership of the majority of the Roma tenements.

Subsequent to the end of the quarter, Santos 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.

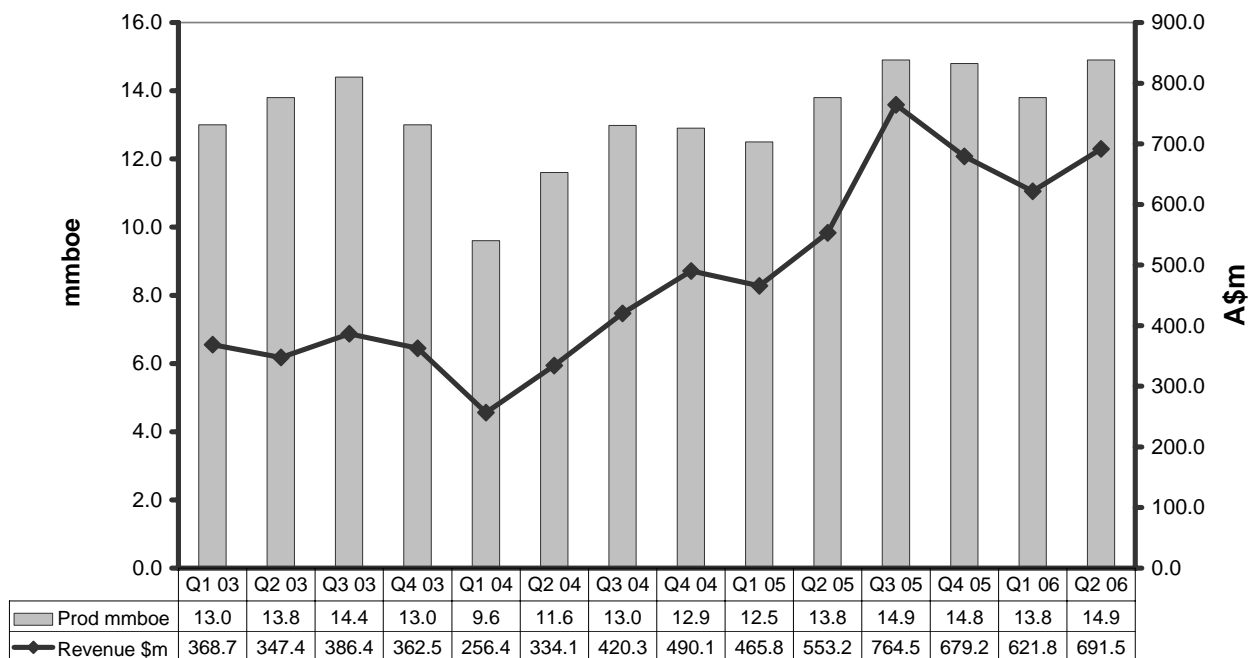
The acquisition includes Santos buying all of the equity in the Delhi Group of Companies and the transfer to Santos of the associated ASX-listed Floating Interest Energy Linked Securities (FIELDS) issued by the Australian Onshore Energy Fund (AOEF), via a creditors scheme of arrangement.

Subject to the receipt of approval of the FIELDS noteholders at a scheme meeting, court approval and the satisfaction or waiver of a number of other usual conditions, the transaction is expected to complete in October 2006.

## 4. HEDGING

There is no hedging outstanding at the end of Q2 2006.

## 5. QUARTERLY PRODUCTION AND REVENUE CHART



## 6. CONVERSION FACTORS AND ABBREVIATIONS

Abbreviations		Conversion Factors	
PJ	petajoules	Sales Gas & Ethane, 1 PJ	171.937 boe x 10 <sup>3</sup>
TJ	terajoules	Crude Oil, 1 barrel	1 boe
mmbbl	million barrels	Condensate (Naphtha), 1 barrel	0.935 boe
mmboe	million barrels of oil equivalent	LPG, 1 tonne	8.458 boe
t	tonnes	LNG, 1PJ	18,227 t
P&A	plugged and abandoned		
C&S	cased and suspended		
C&C	cased and completed		