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Dua-4X appraisal drilling update

Santos advises that operations on the Dua-4X ST2 well in Block 12E in offshore Vietnam, operated by Premier Oil, have now been completed.

As announced on 30 June 2006, the Dua-4X vertical well and subsequent sidetrack discovered oil and gas within the northern flank of the Dua structure.

A second sidetrack, Dua-4X ST2 was then drilled to evaluate potential reservoirs in the southern fault block of the Dua structure. This sidetrack intersected a gas column within limestones above the primary target. However, when the well was operating close to the base of the limestone column, technical difficulties were experienced.

To ensure that the safety of the operation was not compromised, Dua-4X ST2 was plugged and will now be redrilled as Dua-5X, which will be a vertical well into the southern flank of the Dua structure.

Further work is required to assess the significance of the gas encountered in Dua-4X ST2.

Following completion of Dua-5X, the rig will be moved to drill well 12E-CS-1X on the Blackbird prospect also in Block 12E. This well will explore a large tilted fault block up-dip of a pre-existing well (12E-LK-1X) which encountered very good oil shows.

Santos' move into Vietnam is part of the Company's strategy to diversify its international operations through a focus on material positions in proven hydrocarbon basins. The Company is also currently assessing other opportunities to increase its exposure in Vietnam.

The interests in Blocks 12E and 12W are:

	Post farm-in*	Pre farm-in
Santos International Holdings Pty Ltd	37.5%	-
Premier Oil plc (operator)	37.5%	75%
Delek Energy	25%	25%

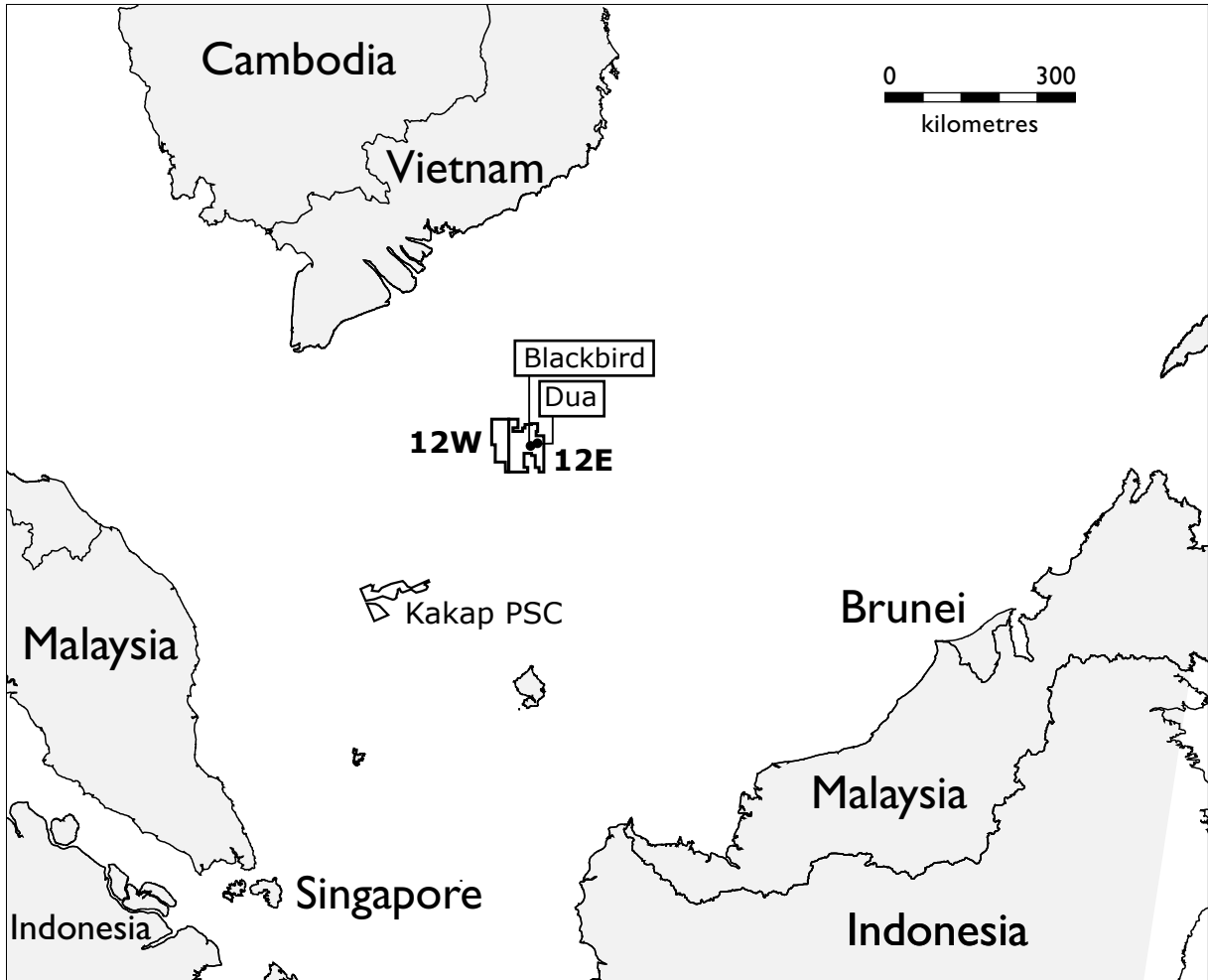
* On completion of the farmout agreement announced on 26th April 2006, and subject to receipt of the approvals required from the Government of the Socialist Republic of Vietnam.

Map attached

Ends

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

Vietnam



LEGEND

□ Santos Acreage