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First production from Indonesian gas project

Production has commenced from the Maleo gas project in Indonesia, the first offshore gas project outside Australia operated by Santos.

The US\$75 million (A\$100 million) project will deliver gas to the gas utility, PT Perusahaan Gas Negara (PGN) under a contract which was signed in May 2005.

The Maleo field is located in the Madura Offshore PSC in the Madura Strait, 140 kilometres east of the city of Surabaya in the East Java region of Indonesia. Santos' partners in the PSC are Petronas through subsidiary PC Madura Ltd, and PT Pantai Madura.

The field is estimated to contain 240 bcf of Proven and Probable reserves which will be produced over a field life of 8 to 12 years.

Gas will be supplied at a plateau rate of up to 110 million standard cubic feet per day (mmscf) and is expected to operate at plateau production for approximately 5 years.

First production has been achieved on schedule, only four years from first discovery, and within the original budget estimate.

The Maleo gas project is Santos' third offshore operated project to come on line in the last eighteen months following the commissioning of the Casino gas field, offshore Victoria early in 2006 and the Mutineer Exeter oil development, offshore Western Australia, in March 2005.

"First gas production from Maleo is an important milestone for Santos as it adds another operated project to our portfolio and continues our international growth strategy," said Santos Managing Director, John Ellice-Flint.

"Importantly, Maleo also adds to Santos' growing production, exploration and appraisal operations in Indonesia, and shows Santos is on track to continue to build Indonesia as a core area of business for the company.

"Delivering the project on schedule and within budget is an outstanding result especially given the cost pressures being faced by projects around the world.

“The joint venture is most appreciative of the contributions of the Indonesian Government, especially BPMIGAS. Undoubtedly their commitment and support has helped us to deliver this project on-schedule,” he said.

BPMIGAS will hold a 'First Gas Ceremony' to commemorate the commissioning of this development project later in the year.

Gas from the Maleo field is being produced from a Mobile Offshore Production Unit (MOPU) supported by a new six well wellhead platform which is connected to a 7.4 kilometre spur-line to the East Java Gas Pipeline for distribution to the Surabaya and Gresik gas grid.

The MOPU is a converted jack-up drilling rig which was modernised and upgraded in Dubai into a standalone, relocatable gas production facility. It is being leased under a multi-year service agreement with Radiant Utama Interinsco (Indonesia) working with Global Process Systems Inc (Dubai).

Using a modified jack-up rig enabled Santos to achieve first gas only 16 months after final investment approval.

Santos farmed into the Madura Offshore PSC following the Oyong oil and gas discovery made in the adjoining Sampang PSC in August 2001. The Maleo gas field was discovered by the Santos led joint venture in June 2002.

Participants in the Madura Offshore PSC are:

Santos (Madura Offshore) Pty Ltd (Operator)	67.5%
PC Madura Ltd	22.5%
PT Pantai Madura*	10.0%

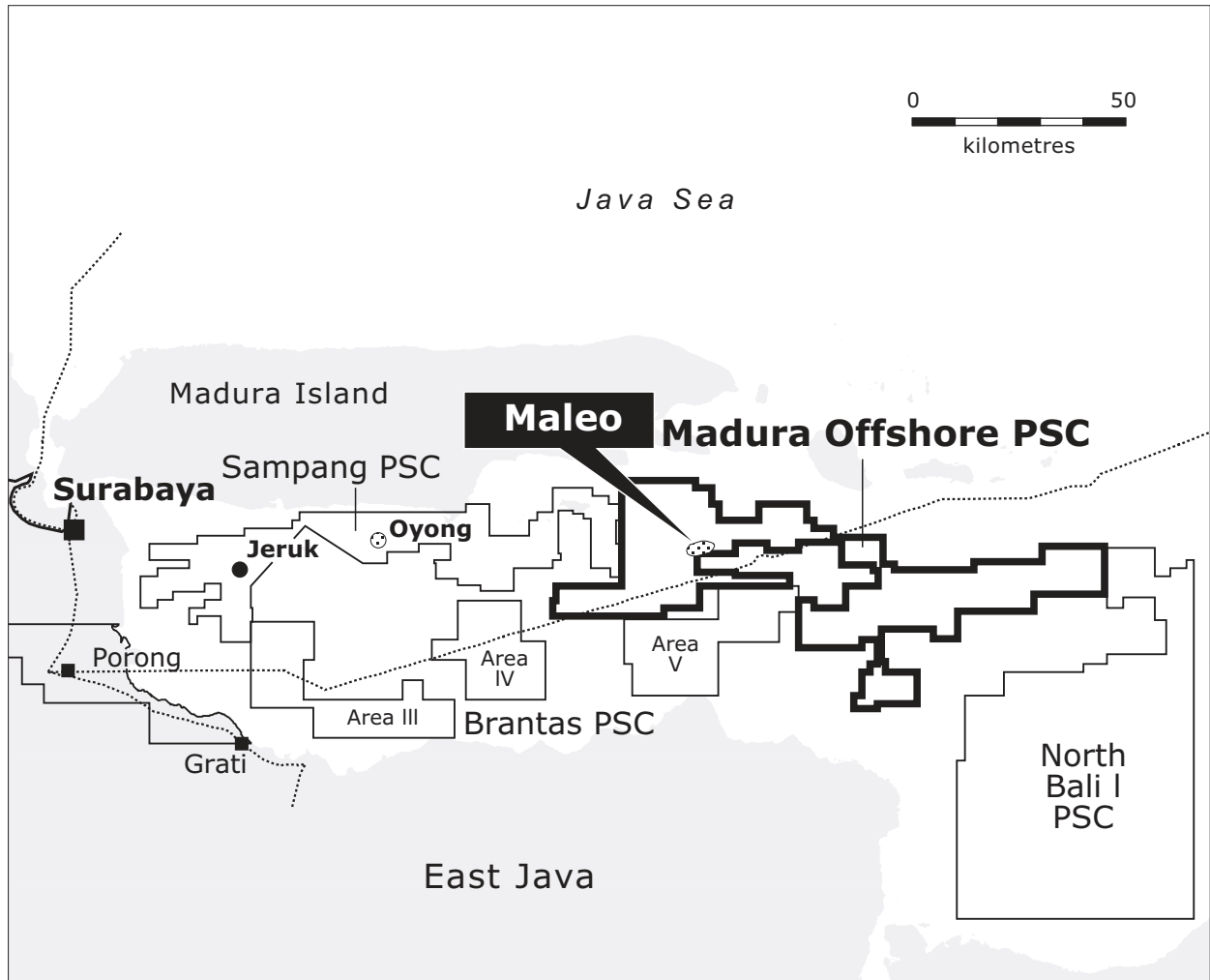
*subject to finalisation of documentation

Map attached.






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

Maleo Gas Production



Legend

-  Santos acreage
-  Oil Field
-  Gas Field
-  Oil pipeline
-  Gas pipeline

