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24 January 2007

Santos meets forecast with record 2006 production

Santos today announced its highest ever annual production of 61.0 million barrels of oil equivalent (mmboe).

The 2006 result – which was at the upper end of the Company's forecast range - was 9% higher than 2005 total production of 56.0 mmboe and 7% higher than Santos' previous record production of 57.3 mmboe achieved in 2002.

Sales revenue increased by 12% to a record \$2.77 billion for the year ended 31 December 2006 compared with \$2.46 billion in 2005 and \$1.50 billion in 2004.

Fourth quarter 2006 production of 15.4 mmboe was 4% higher than the previous corresponding period, reflecting new projects commissioned during the year, including the Darwin LNG project (offshore northern Australia), the Casino gas project (offshore Victoria) and the Maleo gas project (offshore Indonesia).

Sales revenue during the fourth quarter of \$664 million was in line with the previous corresponding period in 2005, despite lower realised commodity prices. The average realised gas price in the fourth quarter of A\$3.70 and the oil price of A\$78.29 (US\$61.20) were 3% and 2% lower respectively compared with the previous corresponding period.

For 2007, Santos has previously indicated production guidance of between 62 and 63 mmboe, and on a like for like basis, this guidance remains unchanged. However, with the proposed sale of Santos' USA assets (1.2 mmboe contribution in 2006) and uncertainty regarding timing for resolution of the current Maleo field offtake constraints, 2007 production guidance has been revised to between 59 and 61 mmboe.

"In 2006, Santos has delivered production at the upper end of its forecast range, resulting in record production and sales revenue," Santos' Managing Director, Mr John Ellice-Flint, said today.

"This is an exceptional performance, which further builds on production increases achieved in the previous two years, and underscores our ongoing diversification away from our legacy gas assets in central Australia," Mr Ellice-Flint said.

“2006 has been a constructive year for Santos – amongst other things, we have produced the first LNG cargos from the Darwin LNG project, brought two offshore gas fields into production, recorded positive early results from the oil exploitation project in the Cooper Basin, and made several exploration discoveries in Vietnam.

“Our outlook for 2007 is for an ongoing strong contribution from our core assets, with growth initiatives countering natural field decline.”

Other Santos developments during the December 2006 quarter included:

- Ongoing monitoring of the mud flow incident involving the Banjar Panji-1 well onshore Indonesia (Santos non-operating 18% interest). Further announcements in relation to Santos’ share of potential costs relating to the Banjar Panji-1 incident will be made as definitive information becomes available and has been evaluated;
- Successful testing of the Barossa-1 gas discovery in the Timor/Bonaparte Basin, offshore northern Australia;
- First production from the \$100 million Maleo gas project in offshore Indonesia, giving the Company its first offshore operated gas project outside Australia;
- An oil discovery in offshore Vietnam with the Blackbird well, with Santos having farmed-in to the offshore exploration acreage in April 2006;
- Successful testing of the Dua-5X oil and gas discovery in the southern fault block of the Dua structure, offshore Vietnam, in the same block as the Blackbird oil discovery;
- Signing a Production Sharing Contract with Vietnam Oil and Gas Corporation for exploration Block 101-100/04 in the Song Hong Basin, offshore Vietnam;
- A \$1.26 per share all cash takeover offer for Queensland Gas Company Ltd, valuing the coal seam gas company at \$606 million. The closing date for acceptance of this offer by QGC shareholders has been extended until 7 February 2007; and
- Announcing the intended sale of the Company’s United States assets to refocus on exploration activities in Australia, Asia and the Middle East.

Ends

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

STOCK EXCHANGE ACTIVITIES REPORT FOR THE QUARTER ENDING 31 DECEMBER 2006.

1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 31 December 2006 is shown in the table below:

	Quarter Ended			Full Year	
	Q4 2006	Q4 2005	Q3 2006	2006	2005
Sales Gas, Ethane and LNG (PJ)					
Cooper Basin	27.4	29.5	29.8	109.2	124.7
Surat/Bowen/Denison	7.5	6.9	7.9	29.4	22.9
Amadeus	3.7	3.5	3.1	12.7	12.7
Otway/Gippsland	5.6	2.8	8.7	26.3	14.1
Carnarvon	7.7	5.6	9.0	31.7	7.7
Bonaparte (LNG)*	3.5	0.0	4.5	13.1	0.0
Indonesia	3.5	0.9	1.1	6.8	4.6
USA	1.3	2.1	1.3	6.1	10.6
Total Sales Gas, Ethane and LNG Production	60.2	51.3	65.4	235.3	197.3
Total Sales Volume	60.8	51.5	74.3	254.8	228.2
Gas Price (Avg A\$/GJ)	3.70	3.80	3.68	3.78	3.62
Total Sales Revenue (A\$m)**	224.7	195.7	273.2	963.0	825.7
Condensate (000's bbls)					
Cooper Basin	424.5	466.4	427.1	1618.9	1922.6
Surat/Denison	5.6	5.4	5.8	24.0	30.8
Amadeus	10.8	14.6	12.3	58.0	43.7
Otway	5.7	2.9	8.0	23.2	12.8
Carnarvon	129.0	32.8	111.9	424.6	101.5
Bonaparte*	428.5	607.0	655.3	2384.4	2139.9
USA	22.7	44.9	28.0	124.2	236.1
Total Condensate Production	1026.8	1174.0	1248.4	4657.3	4487.4
Total Sales Volume	1010.4	1094.6	1201.9	4623.9	4602.7
Condensate Price (Avg A\$/bbl)	84.42	81.22	90.52	85.93	75.15
Condensate Price (Avg US\$/bbl)	66.01	60.78	68.50	65.12	55.74
Total Sales Revenue (A\$m)	85.3	88.9	108.8	397.3	345.9
LPG (000 t)					
Cooper Basin	51.3	48.4	54.2	200.6	213.6
Surat/Denison	0.0	0.0	0.0	0.0	0.0
Bonaparte*	20.4	27.3	28.9	106.3	93.6
Total LPG Production	71.7	75.7	83.1	306.9	307.2
Total Sales Volume	77.0	52.4	61.8	294.0	302.2
LPG Price (Avg A\$/t)	625.47	766.28	737.86	703.28	610.35
Total Sales Revenue (A\$m)	48.1	40.1	45.6	206.8	184.4
Crude Oil (000's bbls)					
Cooper Basin	894.1	855.2	894.6	3455.1	3205.9
Surat/Denison	17.9	16.1	18.2	66.8	74.5
Amadeus	34.3	42.1	44.7	139.3	196.4
Legendre	135.6	172.7	148.5	462.0	882.8
Thevenard	101.3	125.2	115.8	390.4	473.7
Barrow	176.3	186.1	188.4	687.5	760.1
Stag	609.5	755.7	727.8	2768.9	2363.9
Mutineer Exeter	1334.6	1901.7	1482.7	4865.1	6492.0
Elang/Kakatua	45.3	3.2	48.1	160.8	184.1
Jabiru/Challis	33.8	33.8	34.9	157.1	164.4
Indonesia	24.1	46.9	24.9	111.6	138.3
SE Gobe	66.0	70.6	65.1	267.5	269.8
USA	11.6	16.2	9.4	38.6	58.0
Total Crude Oil Production	3484.4	4225.5	3803.1	13570.7	15263.9
Total Sales Volume	3907.5	4432.9	3571.5	13452.2	14990.2
Oil Price (Avg A\$/bbl)	78.29	79.97	96.71	89.35	73.83
Oil Price (Avg US\$/bbl)	61.20	59.85	73.18	67.71	54.76
Total Sales Revenue (A\$m)	305.9	354.5	345.4	1202.0	1106.8
TOTAL					
Production (mmboe)	15.4	14.8	16.9	61.0	56.0
Sales Volume (mmboe)	16.0	14.8	18.0	64.1	61.1
Sales Revenue (A\$m)	664.0	679.2	773.0	2769.1	2462.8

* Q3 2006 restated following revision to date of transition from cost recovery to profit splitting under the terms of the PSC.

** Full year 2006 sales revenue includes \$18.8m year end revaluation of embedded derivatives in sales contracts.

Sales and Production Summary

Total fourth quarter production was 15.4 million barrels of oil equivalent (mmbbl), an increase of 4% above Q4 2005.

Total sales revenue for the fourth quarter was \$664.0 million, 2% below Q4 2005 and 14% lower than Q3 2006.

Production by Product

Comparisons with prior periods for gas and associated condensate 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 Q4 2006 was 60.2 petajoules (PJ), an increase of 17% above Q4 2005.

This increase reflects the start-up of production at Casino (Q1 2006), Bayu-Undan LNG (Q1 2006) and Maleo (Q3 2006).

Third party gas of 0.9 PJ net to Santos was purchased during Q4 2006, a 0.5 PJ reduction from Q4 2005, as part of the eastern Australian gas portfolio optimisation.

The average realised gas price decreased by 3% to \$3.70 per gigajoule (GJ) compared with \$3.80 per GJ in Q4 2005. This decrease is due to the changing geographical mix of gas production as well as the softening of the crude oil price which impacts some gas contract prices.

Quarterly sales gas, ethane and LNG sales volumes totalled 60.8 PJ, an increase of 18% above Q4 2005. Sales revenue increased by 15% to \$225 million reflecting the increased volumes, partially offset by the lower average realised gas price.

Condensate

Condensate production of 1.0 million barrels (mmbbl) was 13% lower than Q4 2005. Increased production from John Brookes was offset by lower production from the Cooper Basin and a reduced net entitlement from Bayu-Undan due to the shift from cost recovery to profit sharing.

Quarterly condensate sales of 1.0 mmbbl was 8% lower than Q4 2005, in line with the lower production.

The realised condensate price of A\$84.42 (US\$66.01) per barrel was 8% higher than the A\$81.22 (US\$60.78) recorded in Q4 2005.

Condensate sales revenue of \$85.3 million was 4% lower than Q4 2005 reflecting the decrease in sales volumes, partially offset by the increased condensate price.

LPG

Quarterly LPG production of 71,700 tonnes was 5% lower than Q4 2005. A 6% increase in the Cooper Basin was offset by the reduced net entitlement from Bayu-Undan.

The average realised LPG price decreased by 18% to \$625.47 per tonne compared with \$766.28 previously.

LPG sales of 77,000 tonnes were 47% higher than Q4 2005 due to the timing of liftings. Sales revenue increased by 20% to \$48.1 million from \$40.1 million in Q4 2005, reflecting the increase in sales, partially offset by the lower average realised price.

Crude Oil

Oil production of 3.48 mmbbl was 8% lower than Q3 2006. This was predominantly due to reduced production from Mutineer-Exeter and Stag.

Oil sales volumes of 3.9 mmbbl were 9% higher than Q3 2006 reflecting the timing of liftings.

Crude oil inventory was reduced by approximately 0.4 mmbbl during the quarter, compared with an increase of 0.2 mmbbl during Q3 2006.

The average realised oil price was \$78.29 (US\$61.20) per barrel, 19% lower than the Q3 2006 average of \$96.71 (US\$73.18).

Oil sales revenue decreased by 11% to \$305.9 million for the quarter, reflecting the lower average realised oil price, offset by the higher sales volumes.

Production by Area

Cooper Basin

Sales gas and ethane production of 27.4 PJ was 7% lower than Q4 2005, reflecting natural field decline.

In line with the reduced gas throughput, condensate production of 0.42 mmbbl was down 9%.

LPG production of 51,300 tonnes increased by 6% compared with 48,400 in Q4 2005. This increase is due to improved processing efficiency experienced during the quarter.

Crude oil production during Q4 2006 of 0.89 mmbbl remained steady when compared with Q3 2006. This reflects the early success of the Cooper Oil Project offsetting the natural decline of the existing fields. Further discussion in relation to the Cooper Oil Project is included in Section 2.3 of this report.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 7.5 PJ was 9% higher than Q4 2005 due to increased production from Fairview.

Amadeus Basin

Sales gas production of 3.7 PJ was 6% higher than Q4 2005 due to higher customer demand.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 5.6 PJ was 100% higher than Q4 2005, reflecting the timing of the start-up of the Casino field.

Casino achieved production of 3.9 PJ for the fourth quarter.

Carnarvon Basin

Sales gas production of 7.7 PJ was 38% above Q4 2005, reflecting the ramp-up to full production of the John Brookes field and increased customer demand.

Condensate production increased to 0.13 mmbbl in line with the increase in John Brookes sales gas production.

Combined net oil production from Santos' Carnarvon Basin oil assets (including Stag, Mutineer-Exeter, Legendre, Barrow Island and Thevenard Island) of 2.36 mmbbl was 11% lower than Q3 2006.

Net production from Mutineer-Exeter of 1.33 mmbbl was 10% lower than Q3 2006, representing an average gross production rate of approximately 43,500 barrels of oil per day (bopd) compared with approximately 48,900 bopd during the third quarter. Production rates were negatively impacted by the shut-in of the Mutineer-4 well due to the failure of a subsea control module early in the quarter, and downtime associated with the subsea maintenance campaign to return the well to production in late December.

At the end of the quarter, Mutineer-Exeter production was averaging approximately 49,700 bopd (gross). This has since increased to approximately 55,000 bopd (gross) due to the Mutineer-4 well returning to production.

Stag oil production of 0.61 mmbbl was 16% lower than Q3 2006 primarily due to additional downtime caused by infield drilling activities. This was partially offset by the ongoing water flood optimisation program.

Legendre oil production of 0.14 mmbbl was 9% lower than Q3 2006 due to maintenance activities and natural field decline.

Barrow Island oil production of 0.18 mmbbl was in line with Q3 2006. Production of 0.10 mmbbl at Thevenard Island was 13% lower than Q3 2006 due to minor operational issues.

Timor Sea

Crude oil production from the Timor Sea of 0.08 mmbbl was marginally below Q3 2006.

Bonaparte Basin

The Bayu-Undan field is in a production sharing contract (PSC). In its Third Quarter Activities Report on 26 October 2006, Santos reported that due to sustained high oil prices, net production attributed to Santos from the Bayu-Undan field was negatively impacted by the transition from cost recovery to profit sharing occurring during the third quarter. Based on subsequent advice from the Operator, it has been determined that this transition actually occurred during Q4 2006. Consequently, it has been necessary to restate Bonaparte Basin production for Q3 2006, resulting in an increase of 9,600 tonnes (0.5 PJ) of LNG, 0.113 mmbbl of condensate and 5,100 tonnes of LPG on a net entitlement basis.

Gross LNG production during Q4 2006 was 764,000 tonnes (42.4 PJ), and Santos' net entitlement production was 63,000 tonnes (3.5 PJ).

Gross condensate production during Q4 2006 was 6.7 mmbbl which was 11% above Q4 2005. Santos' net entitlement production was 0.43 mmbbl, which was 29% lower than Q4 2005, reflecting the shift from cost recovery to profit sharing.

Gross LPG production during Q4 2006 was 285,000 tonnes which was 7% above Q4 2005. Santos' net entitlement production of 20,400 tonnes was 25% lower than Q4 2005, reflecting the shift from cost recovery to profit sharing.

Indonesia

Sales gas production from Brantas, Kakap and Maleo of 3.5 PJ was considerably higher than Q4 2005 due to the start-up of the Maleo gas project in the third quarter.

Production from the Maleo field commenced on 29 September 2006, flowing at a rate of approximately 30 million standard cubic feet of gas per day (mmscfd) during the initial commissioning period and ramping up to a maximum daily rate of 85 mmscfd.

Initially, rates delivered were in accordance with customer nominations. On 22 November 2006, a serious incident occurred involving the East Java Gas Pipeline (EGJP), operated by Pertamina. Maleo gas, along with gas from other fields in the area, is delivered into the EGJP, and as a result, gas production at the Maleo field was shut in. Production resumed on 27 November 2006 at reduced rates via an alternative distribution network.

At the time of writing this report, network capacity restrictions were still in place and the Maleo field was producing at a reduced rate of approximately 57 mmscfd.

Indonesian crude oil production was in line with Q3 2006.

Papua New Guinea

Oil production at SE Gobe of 0.07 mmbbl was in line with Q3 2006.

United States

Sales gas production of 1.3 PJ was 38% lower than Q4 2005 reflecting natural field decline and the sale of a number of producing fields.

2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

Capital Expenditure Summary (\$ millions)	Quarter Ended			Full Year	
	Q4 2006	Q4 2005	Q3 2006	2006	2005
Exploration					
Capitalised	10.4	6.1	37.0	85.7	36.7
Expensed	55.5	72.3	48.3	172.8	150.3
Delineation					
Capitalised	53.0	11.3	69.7	184.9	50.6
Expensed	26.4	17.6	12.4	68.7	47.0
Development	284.1	156.7	212.1	794.0	674.5
Total Capital Expenditure	429.4	264.0	379.5	1,306.1	959.1

2.1 EXPLORATION ACTIVITY

Exploration expenditure was \$65.9 million in Q4 2006.

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

Well	Basin	Target	Licence	Santos Interest (%)	Well Status
Lepard-1	Cooper/Eromanga - Qld	Oil & Gas	ATP259P	83.27	C&S, successful gas
Bricklanding-1	Carnarvon - WA	Oil	WA TP/7 (3)	83.37	P&A
Semangka-1	East Java - Indonesia	Oil & Gas	Sampang Offshore PSC	67.5	P&A
Blackbird	Nam Con Son - Vietnam	Oil	Block 12E	37.5	P&A, oil discovery
Glenaire-1	Otway – VIC	Gas	PEP 160	30	C&S, successful gas
Barossa-1	Bonaparte – NT	Gas	NT/P69	40	P&A, successful gas

Lepard-1 in South-West Queensland permit ATP259 spudded on 24 October 2006 and drilled to a total depth of 2,827 metres. The primary target Toolachee and Patchawarra Formation sands intersected 100 feet of net gas and the well has been cased and suspended as a new field gas discovery. The rig was released on 12 November 2006.

Bricklanding-1 in the Carnarvon Basin, offshore Western Australia, spudded on 22 November 2006 and has been plugged and abandoned with no significant indications of hydrocarbons. The well reached a total depth of 3,131 metres and the rig was released on 8 December 2006.

Semangka-1 in the Madura Offshore PSC, Indonesia, spudded on 12 October 2006 and reached a total depth of 4,000 metres. The primary target Kujung Formation limestone was found to be poorly developed. The well was subsequently plugged and abandoned with the rig released on 11 November 2006.

Blackbird (12E-CS-1X) in the Nam Con Son Basin, offshore Vietnam, spudded on 17 October 2006 and was drilled to a total depth of 4,058 metres and intersected multiple gas and oil reservoirs. The deepest zone tested flowed oil at a sustained rate of 2,177 bopd and 1.63 mmscfd through a 44/64 inch choke with a wellhead pressure of 618 psi. The second zone tested flowed oil at a sustained rate of 3,706 bopd and 2.49 mmscfd of gas through a 1 inch choke with a wellhead pressure of 544 psi. No water was produced during either test. Subsequent to the end of the quarter, a sidetrack has been drilled. Cores and wireline logs acquired in the reservoir sandstones have confirmed expectations of the extent of the hydrocarbon interval and provided confidence for the development team to move rapidly into the project planning phase. Following evaluation of the sidetrack the well will be plugged and abandoned as planned. The well is operated by Premier Oil.

Glenaire-1 in the onshore Otway Basin permit PEP 160 spudded on 8 September 2006 and reached a total depth of 3,701 metres. The primary objective of the well was the Pretty Hill Sandstone which had mudlog gas shows. The well has been cased and suspended pending further evaluation. The well is operated by Beach Petroleum.

Barossa-1 in the Bonaparte Basin, offshore Northern Territory, spudded on 24 July 2006 and has been plugged and abandoned following successful testing of two intervals. The first test, of a lower quality reservoir interval, flowed gas at a rate of 0.8 mmscfd through a 1 inch choke. The second, of a higher quality reservoir interval, flowed gas at a rate of 30.1 mmscfd through a 56/64 inch choke, with a condensate rate of 7 to 9 barrels per million cubic feet of

raw gas as measured at the rig site. The results indicate a carbon dioxide content in the gas of approximately 16%. The well is operated by ConocoPhillips.

Banjar Panji-1 Incident

Santos has an 18% participating interest in the Banjar Panji-1 well located in the Brantas production sharing contract (“Brantas PSC”) near Surabaya on the Indonesian island of Java. The well is operated by Lapindo Brantas Inc.

On 29 May 2006, mud and water commenced flowing to the surface from a series of nearby vents. The mud continues to flow at a rate of approximately 100,000 to 150,000 cubic metres per day, and has affected a total area of about 450 hectares.

Subsequent attempts to control the flow of mud by drilling a series of relief wells have been unsuccessful.

On 8 September, the President of Indonesia appointed a national task force to address regional, environmental and social issues including sealing off the well, disposing of the mud and managing the affected communities.

Addressing these issues is a very complex task involving multiple technical and logistical efforts and liaison with local and regional governments, as well as national government agencies, and non-government organisations.

Santos continues to provide its full support to the operator and we continue to encourage the joint venture to make decisions in the interests of sustainable environmental and community outcomes, and longer term management of the incident.

Further announcements in relation to Santos’ share of potential costs relating to the Banjar Panji-1 incident will be made as definitive information becomes available and has been evaluated.

Seismic Activity

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

Permit	Area/Basin	Type	Km/Km ²	Status
PEL 114	Bugito-Kobari, Cooper	3D Land	90	Complete
ATP 259P/PL97	Cook, Cooper	3D Land	88	Complete
PPL 182	James, Cooper	3D Land	20	Complete
NT/P 48	Evans Shoal, Bonaparte	3D Marine	1,178 sq	Phase 2 complete to bring Evans Shoal total to 2,138 sq km.

2.2 Delineation Activity

Total delineation expenditure in Q4 2006 was \$79.4 million, of which near field exploration and exploration appraisal expenditure was \$56 million and development appraisal expenditure was \$23.4 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Endeavour-12	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-13	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-15	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-16	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-19	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-20	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-21	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-27	Cooper/Eromanga – QLD	Oil	89	C&S, water injector
Endeavour-28	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-38	Cooper/Eromanga – QLD	Oil	89	P&A
Endeavour-40	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-41	Cooper/Eromanga – QLD	Oil	89	P&A, poor reservoir development
Mulberry-22	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-23	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-24	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Aros-2	Cooper/Eromanga – QLD	Oil	89	P&A
Ramses-2	Cooper/Eromanga – QLD	Gas & Oil	60.06	C&S, successful gas & oil
Mugginanullah-2	Cooper/Eromanga – QLD	Oil	89	P&A
Wackett-13	Cooper/Eromanga – QLD	Oil	52.5	C&S, successful oil
Yanda-17	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-19	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-25	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Seagoon-1	Cooper/Eromanga – QLD	Oil	89	P&A
Bingilberry-1	Cooper/Eromanga – QLD	Oil	89	P&A
Hakheem-1	Cooper/Eromanga – QLD	Oil	89	P&A
Teegal-1	Cooper/Eromanga – QLD	Oil & Gas	83.27	P&A
Zenoni-1	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Ziefreid-1	Cooper/Eromanga – QLD	Oil	89	P&A
Currawinya-1	Cooper/Eromanga – QLD	Oil	89	P&A
Dilkera North-1	Cooper/Eromanga – QLD	Oil	59.06	C&S, successful oil
Ulandi-15	Cooper/Eromanga – SA	Oil	86.8	C&S, successful oil
Jena-26	Cooper/Eromanga – SA	Oil	86.81	C&S, successful oil
Jena-27	Cooper/Eromanga – SA	Oil	66.6	C&S, successful oil
Biala-14	Cooper/Eromanga – SA	Oil	66.6	C&S, water injector
Biala-15	Cooper/Eromanga – SA	Oil	86.81	C&S, successful oil
Diptera-1	Cooper/Eromanga – SA	Oil	86.8	P&A
Pasticcio-1	Cooper/Eromanga – SA	Oil	66.6	C&S, successful oil
Odonata-1	Cooper/Eromanga – SA	Oil	86.81	C&S, successful oil
Itchy-1	Cooper/Eromanga – SA	Oil	66.6	C&S, successful oil
Churchie West-1	Bowen Basin	Gas	16.7	C&C, successful gas
Fairview-141	Bowen Basin	CSG	79.5	C&C, successful gas
Pickanjinie 12/12A	Surat	CSG	100	P&S
Blythdale North-2	Surat	CSG	100	P&S
Hermitage North-1	Surat	CSG	100	P&S
Taringa-4	Surat	CSG	100	P&S
Blyth Creek	Surat	CSG	100	P&S

2.3 Development Activity

Development expenditure during the fourth quarter was \$284.1 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Baryulah-11	Cooper/Eromanga – QLD	Gas	60.06	C&S, successful gas
Mulberry-18	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-20	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Yanda-18	Cooper/Eromanga – QLD	Oil	55	C&S, water injector
Yanda-20	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-21	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-22	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-23	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Yanda-24	Cooper/Eromanga – QLD	Oil	55	C&S, successful oil
Psyche-5	Cooper/Eromanga – QLD	Gas	60.06	C&S, successful gas
Big Lake-83	Cooper/Eromanga – SA	Gas	66.6	C&S, successful gas
Cowralli-8	Cooper/Eromanga – SA	Gas	66.6	In progress
Stag-9HL1	Carnarvon	Oil	55	C&C, successful oil
Stag-30HST1	Carnarvon	Oil	55	C&C, successful oil
Stag-30HL1	Carnarvon	Oil	55	Junked
Runnells-9	USA – onshore	Gas	96.5	In progress
Meider-3	USA – onshore	Gas	25	In progress
Petru-7	USA – Willacy County	Gas	34.38	C&S, successful gas
Fairview-92	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-93	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-107	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-108	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-118	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-124	Bowen Basin	CSG	79.5	C&C, successful gas

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

Oyong (Santos 40.5%, operator)

The oil development phase remains approximately 95% complete at the end of the quarter, with all development drilling completed and the floating storage and offtake vessel on location in the field.

Following a re-tendering process, a contract for the leasing of a production barge has been awarded. Modifications are underway and the vessel is expected to be in position to meet the first oil date of Q2 2007.

Oyong Phase II first gas production continues to be expected in 2H 2008. Front End Engineering and Design (FEED) work on the onshore processing facilities is 80% complete and FEED work on the pipeline continues.

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

The Cooper Oil Project continues to deliver positive results. Forty-four wells were drilled during the fourth quarter bringing the total number of wells drilled in 2006 to 108, with an overall success rate of 79%. The number of oil production wells brought on line in 2006 was 51.

Three Precision Drilling International (PDI) automated onshore rigs and one conventional rig are currently deployed on the oil program. A fourth PDI rig is being imported and is scheduled to commence drilling during Q1 2007 to replace the conventional rig.

3. BUSINESS DEVELOPMENT

Acquisitions/Divestments

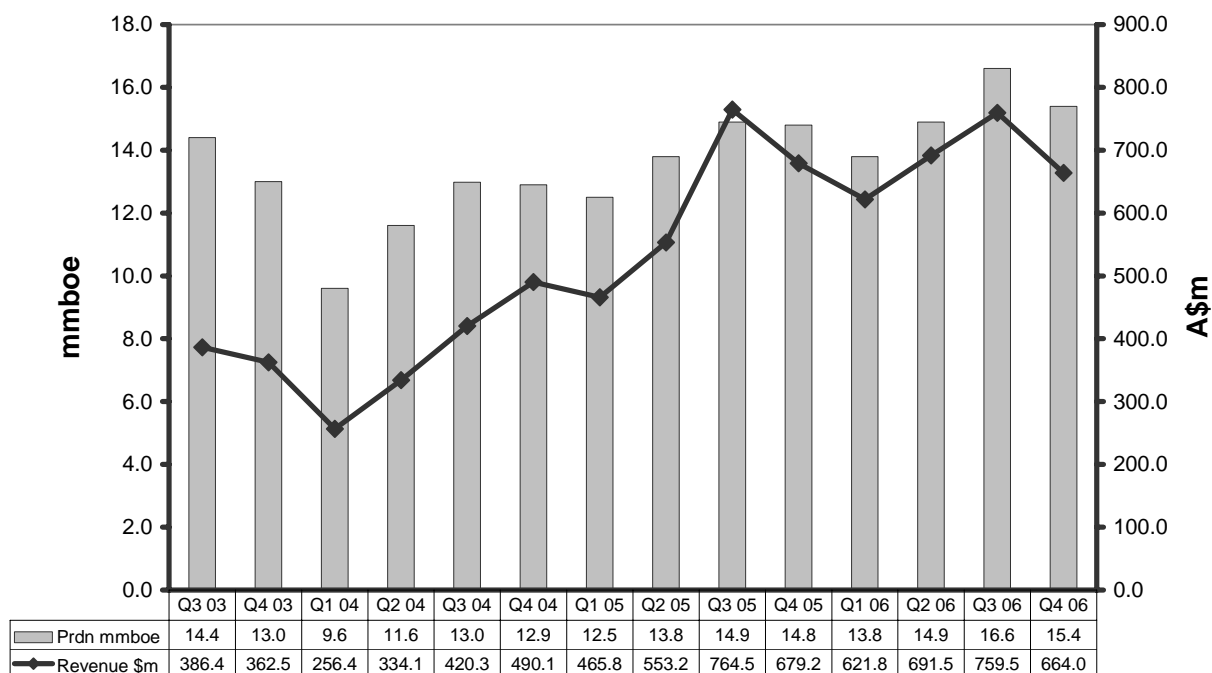
During the quarter, Santos:

- Acquired the interests of Vernon Faulconer Australia Inc in ATP 543P and PL 117 in south west Queensland for consideration of US\$10m;
- Executed a Farm-in Agreement with Icon Energy and two other parties under which it can earn up to a 63% interest in ATP 765P and ATP 766P in south-west Queensland;
- Announced a \$1.26 per share all cash takeover offer (by its wholly-owned subsidiary Santos CSG Pty Ltd) for Queensland Gas Company Limited, valuing the coal seam gas company at A\$606 million. At the time of writing this report, Santos' offer has been extended to 7 February 2007; and
- Announced its intention to sell all of its exploration and production interests in the United States.

4. HEDGING

There is no hedging outstanding at the end of Q4 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 ³
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	18,040 t
P&A	plugged and abandoned		
C&S	cased and suspended		
C&C	cased and completed		
P&S	plugged and suspended		