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Commencement of PNG LNG pre-FEED study

Santos today announced that it has entered into an agreement with ExxonMobil, Oil Search and Nippon Oil to jointly progress a detailed pre-FEED study of a standalone LNG project based on the Hides gas field in Papua New Guinea.

Under the terms of the Cost Sharing Agreement, the pre-FEED study will evaluate technical and commercial merits of developing a 5.0 to 6.5 million tonne per annum LNG facility, targeting first cargos in the 2012 to 2013 timeframe.

The Hides gas and condensate field (Santos 25% working interest) is expected to underpin the gas volumes required, with additional gas potentially sourced from the nearby Juha and Angore fields.

It is envisaged that the ownership of the LNG facilities would mirror the working interests in the unitised upstream gas resources.

Specifically, the pre-FEED study will:

- Determine the optimal LNG facility development concept;
- Select the preferred site location;
- Determine the optimal field configuration and unitisation framework, which will in turn determine each company's participating interest; and
- Agree fiscal terms with the PNG government.

The study will be led by ExxonMobil, the operator of the Hides, Juha and Angore fields, and Santos will initially contribute 17% of the associated costs.

This LNG evaluation phase is expected to be completed by the end of 2007, following which the participants will be in a position to decide whether to progress to Front End Engineering Design (FEED).

Concurrently, Santos has agreed to acquire data associated with the FEED study which was previously undertaken for the upstream portion of the PNG Gas Project, much of which is relevant to the LNG evaluation. This is an important step in ensuring alignment of the parties, and will facilitate timely evaluation of the LNG development options.

Commenting on the agreements, Santos Managing Director John Ellice-Flint said that the potential for an LNG development in PNG is an exciting opportunity to increase the company's participation in the rapidly expanding LNG market.

"Santos is committed to working with the PNG Government, ExxonMobil and the other project partners to progress LNG development options in a timely manner, and in a way which will maximise the value of the large contingent gas resources in PNG.

"Santos has been involved in exploration and production in PNG for more than thirty years and we look forward to playing a role in evaluating the LNG development option for our gas resources at the Hides field."

Initial funding interests* in the Cost Sharing Agreement are:

Santos Limited	17%
ExxonMobil Corporation	49% (operator)
Oil Search Limited	32%
Nippon Oil Limited	2%

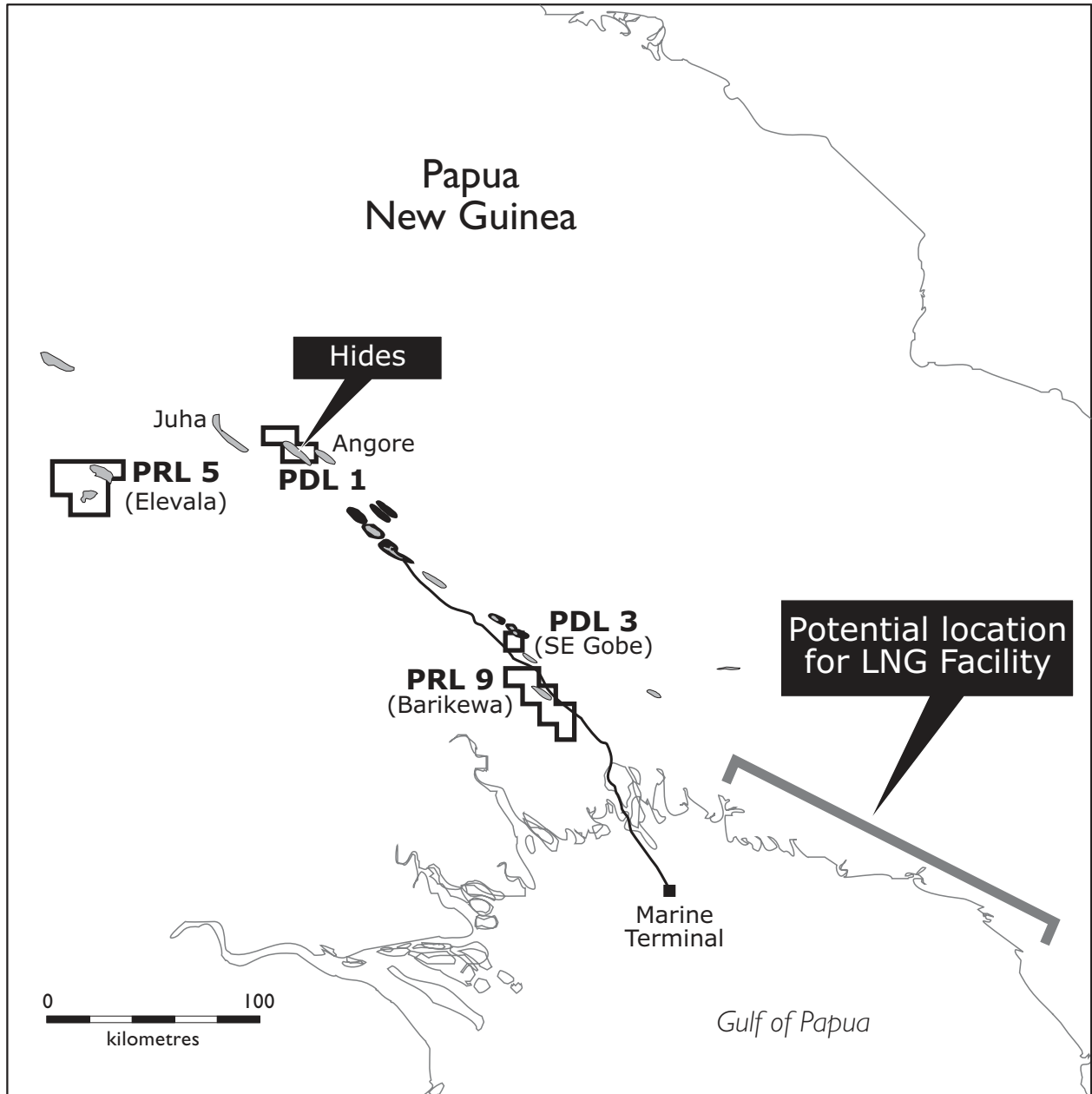
* Interests held by wholly owned subsidiaries of these companies.

Ends



Map attached

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

Papua New Guinea



Legend

-  Santos acreage
-  Oil Field
-  Gas Field
-  Oil Pipeline

