

Media enquiries

Kathryn Mitchell
+61 8 8116 5260 / +61 (0) 407 979 982
kathryn.mitchell@santos.com

Investor enquiries

Andrew Seaton
+61 8 8116 5157 / +61 (0) 410 431 004
andrew.seaton@santos.com

26 July 2007

Record second quarter production

Santos today announced record second quarter production of 15.6 million barrels of oil equivalent (mmboe) for the period to 30 June 2007, an increase of 4.7% over the previous corresponding period and 7.6% higher than the first quarter of 2007.

Production for the opening six months of 2007 increased to 30.1 mmboe, compared with 28.7 mmboe in the first half of 2006.

The stronger production reflects higher gas output due to increased customer demand, the start-up of the Maleo gas field in Indonesia during Q3 2006, and increased oil production from the Mutineer-Exeter field offshore Western Australia.

Total second quarter 2007 sales revenue of \$634 million was 8.3% lower than the second quarter in 2006 due to the timing of oil and gas cargoes, and the stronger A\$/US\$ exchange rate which resulted in a 10% decline in realised A\$ oil prices.

Commenting on the second quarter result, Santos' Managing Director, John Ellice-Flint highlighted that the Company's portfolio continues to deliver positive performance across a large number of different fields.

"We remain on track to achieve full year 2007 production of between 59 and 61 mmboe, which is unchanged from the guidance previously provided to the market," Mr Ellice-Flint said.

"Particularly pleasing was the continued ramp-up of production from the Fairview coal seam gas field, and an ongoing positive performance from the Mutineer-Exeter oil fields. We expect to further increase production from both of these areas with additional drilling in the second half of 2007," he said.

"Our Cooper Oil Project remains on track to deliver a meaningful uplift in oil production, although flooding in central Australia and short term oil pipeline constraints have resulted in the deferral of some production from the second quarter."

Mr Ellice-Flint said that the record second quarter production built on Santos' recent history of consistently delivering on its forecasts.

"Our large suite of growth options - which include potential LNG projects in Gladstone, PNG and Darwin coupled with developments such as the Reindeer gas field in Western Australia and the Dua and Blackbird oil fields in Vietnam - augur well for our future growth outlook.

"In addition, our 2007 exploration drilling program focussed on the Carnarvon and Browse Basins is weighted toward the second half of the year."

Other activities during and subsequent to the second quarter included:

- The extension of the Cooper Basin Producer's ethane supply agreement with Qenos, resulting in an additional 56 petajoules of ethane to be sold between late 2007 and the beginning of 2013, at gas prices linked to the world oil price;
- The announcement of a proposal to construct a 3-4 million tonnes per annum LNG processing facility at Gladstone in Queensland at a total cost of A\$5-A\$7 billion. This project, which has been granted significant project status by the Queensland Government would see coal seam gas processed and sold into export markets;
- An off-market buy-back which resulted in Santos acquiring 24.7 million shares (4.1% of its issued capital) at a price of \$12.16, representing a 14% discount to market;
- The commencement of a review of the 15% Santos shareholding cap by the Government of South Australia. The results of this review are expected to be announced by the Government prior to the end of September 2007;
- The submission of a proposal to the Federal Government in relation to the Moomba Carbon Storage project, which aims to sequester carbon dioxide in depleted and/or depleting oil and gas reservoirs in the Cooper Basin;
- The signing of conditional agreements to sell Santos' United States operations for US\$70 million, together with Santos retaining a 17.5% net profit interest in three proposed exploration wells; and
- Ongoing monitoring of the Sidoarjo mudflow incident in the Brantas PSC in Indonesia (Santos non-operating 18% interest). A net provision of A\$67 million (after recognition of insurance proceeds) was recorded as at 31 December 2006. Further announcements in relation to Santos' share of potential costs relating to this incident will be made as definitive information becomes available and has been evaluated.

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 30 JUNE 2007.

1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 30 June 2007 is shown in the table below:

	Quarter Ended			YTD		Full Year
	Q2 2007	Q2 2006	Q1 2007	2007	2006	2006
Sales Gas, Ethane and LNG (PJ)						
Cooper Basin	24.9	27.0	22.8	47.7	52.0	109.2
Surat/Bowen/Denison	8.3	7.1	8.0	16.3	14.0	29.4
Amadeus	3.2	2.7	3.4	6.6	5.9	12.7
Otway/Gippsland	8.2	7.6	7.5	15.7	12.0	26.3
Carnarvon	8.4	7.5	7.6	16.0	15.0	31.7
Bonaparte (LNG)	4.7	3.5	3.7	8.4	5.0	13.1
Indonesia	4.3	1.2	4.4	8.7	2.2	6.8
USA	1.0	1.7	1.2	2.2	3.5	6.1
Total Sales Gas, Ethane and LNG Production	63.0	58.2	58.6	121.6	109.6	235.3
Total Sales Volume	64.0	66.7	58.5	122.5	119.6	254.8
Gas Price (Avg A\$/GJ)	3.84	3.78	3.83	3.84	3.73	3.78
Total Sales Revenue (A\$m)	245.9	252.0	223.9	469.8	446.3	963.0
Condensate (000's bbls)						
Cooper Basin	437.4	418.1	362.8	800.2	767.3	1618.9
Surat/Denison	4.8	6.8	6.3	11.1	12.6	24.0
Amadeus	21.3	16.0	30.7	52.0	34.9	58.0
Otway	7.0	6.5	6.5	13.5	9.5	23.2
Carnarvon	126.7	78.0	100.0	226.7	183.7	424.6
Bonaparte	419.0	637.2	446.3	865.3	1300.6	2384.4
USA	23.5	33.1	29.6	53.1	73.5	124.2
Total Condensate Production	1039.7	1195.7	982.2	2021.9	2382.1	4657.3
Total Sales Volume	1041.4	1045.8	1104.0	2145.4	2411.6	4623.9
Condensate Price (Avg A\$/bbl)	91.40	89.95	70.16	79.94	84.25	85.93
Condensate Price (Avg US\$/bbl)	75.70	67.24	55.25	65.46	62.54	65.12
Total Sales Revenue (A\$m)	94.1	94.1	77.4	171.5	203.2	397.3
LPG (000 t)						
Cooper Basin	44.7	48.2	41.5	86.2	95.1	200.6
Surat/Denison	0.0	0.0	0.1	0.1	0.0	0.0
Bonaparte	23.2	28.2	16.8	40.0	57.0	106.3
Total LPG Production	67.9	76.4	58.4	126.3	152.1	306.9
Total Sales Volume	51.8	77.4	72.0	123.8	155.2	294.0
LPG Price (Avg A\$/t)	748.84	630.30	687.78	713.37	728.64	703.28
Total Sales Revenue (A\$m)	38.8	48.8	49.5	88.3	113.1	206.8
Crude Oil (000's bbls)						
Cooper Basin	794.3	844.8	835.8	1630.1	1666.4	3455.1
Surat/Denison	16.7	14.8	18.8	35.5	30.7	66.8
Amadeus	39.2	32.2	36.1	75.3	60.3	139.3
Legendre	88.9	69.5	97.8	186.7	177.9	462.0
Thevenard	91.9	99.9	95.2	187.1	173.3	390.4
Barrow	169.0	163.9	167.2	336.2	322.8	687.5
Stag	648.1	743.0	441.7	1089.8	1431.6	2768.9
Mutineer Exeter	1264.4	895.8	1130.3	2394.7	2047.8	4865.1
Elang/Kakatua	36.7	50.7	39.5	76.2	67.4	160.8
Jabiru/Challis	37.8	44.2	27.8	65.6	88.4	157.1
Indonesia	35.4	28.4	28.6	64.0	62.6	111.6
SE Gobe	55.5	67.5	56.0	111.5	136.4	267.5
USA	6.8	9.2	7.2	14.0	17.6	38.6
Total Crude Oil Production	3284.7	3063.9	2982.0	6266.7	6283.2	13570.7
Total Sales Volume	2988.4	3119.9	2837.2	5825.6	5973.2	13452.2
Oil Price (Avg A\$/bbl)	85.30	95.07	81.10	83.27	92.20	89.35
Oil Price (Avg US\$/bbl)	71.43	71.08	63.86	68.19	68.44	67.71
Total Sales Revenue (A\$m)	255.0	296.6	230.1	485.1	550.7	1202.0
TOTAL						
Production (mmboe)	15.6	14.9	14.5	30.1	28.7	61.0
Sales Volume (mmboe)	15.4	16.2	14.5	29.9	30.1	64.1
Sales Revenue (A\$m)	633.8	691.5	580.9	1214.7	1313.3	2769.1

Summary

Production Volume

- Record Q2 2007 production of 15.6 million barrels of oil equivalent (mmboe) was 4.7% higher than the corresponding period of Q2 2006, largely due to the start-up of production at Maleo (Q3 2006) and increased oil production from Mutineer-Exeter.
- Q2 2007 production was 7.6% higher than the previous quarter primarily as a result of higher seasonal gas demand and positive field performance.

Sales Volume

- Q2 2007 sales volume of 15.4 mmboe was 4.9% lower than the corresponding period of Q2 2006 due to lower third party gas sales, and the timing of crude oil liftings which reduced oil sales by approximately 0.3 mmbbl.
- Q2 2007 sales volume was 6.2% higher than with the previous quarter reflecting the higher production volumes.

Sales Revenue

- Q2 2007 sales revenue of \$633.8 million was 8.3% lower than the corresponding period of Q2 2006 reflecting lower sales volumes combined with lower realised Australian dollar crude oil prices.
- Q2 2007 sales revenue was 9.1% higher than the previous quarter due to increased sales volumes and higher realised liquids prices.

Realised Prices

- The Q2 2007 average realised gas price of \$3.84 per gigajoule (GJ) was 1.6% higher than the corresponding period of Q2 2006.
- The Q2 2007 average realised condensate price of A\$91.40 (US\$75.70) per barrel was 1.6% higher than A\$89.95 (US\$67.24) recorded in Q2 2006.
- The Q2 2007 average realised LPG price of \$748.84 per tonne was 19% higher than the corresponding period of Q2 2006.
- The Q2 2007 average realised oil price of A\$85.30 (US\$71.43) per barrel was 10% lower than A\$95.07 (US\$71.08) recorded in Q2 2006 reflecting the impact of the A\$ appreciation versus the US\$.

Production by Area

Comparisons with prior periods for gas, 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 generally subject to seasonal variations.

Cooper Basin

Sales gas and ethane production of 24.9 petajoule (PJ) was 7.8% lower than Q2 2006, reflecting natural field decline.

Condensate production of 0.44 million barrels (mmbbl) was 4.6% higher than Q2 2006 despite lower gas production, due to field mix and higher recoveries.

LPG production of 44,700 tonnes was 7.3% lower than Q2 2006 reflecting natural field decline, offset by improved Moomba liquids recovery plant availability.

Crude oil production of 0.79 mmbbl was 5.0% lower than Q1 2007. Further discussion in relation to the Cooper Oil Project is included in section 2.4 of this report.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 8.3 PJ was 17% higher than Q2 2006 due to increased production from the Fairview field. Gross Fairview production at the end of the quarter was 62 TJ/day, at an average of approximately 0.8 TJ/day per well.

Amadeus Basin

Sales gas production of 3.2 PJ was 19% higher than Q2 2006 due to higher customer demand.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 8.2 PJ was 7.9% higher than Q2 2006, due to higher customer demand.

Carnarvon Basin

Sales gas production from the John Brookes field of 8.4 PJ was 12% above Q2 2006, reflecting higher customer demand.

Condensate production of 0.13 mmbbl increased by 62% above Q2 2006, reflecting higher recovery factors.

Combined net oil production from Santos's Carnarvon Basin oil assets (including Stag, Mutineer-Exeter, Legendre, Barrow Island and Thevenard Island) of 2.3 mmbbl was 17% higher than Q1 2007, reflecting the return to normal production levels following downtime experienced in the previous quarter as a result of tropical cyclones George, Jacob and Kara.

Net production from Mutineer-Exeter of 1.26 mmbbl was 12% higher than Q1 2007, representing an average gross production rate of approximately 41,700 barrels of oil per day. Production rates from the field have recently been impacted by the failure of Electric Submersible Pumps (ESPs) in two wells, Exeter-4AH and Mutineer-4. Production is continuing under natural flow at Exeter-4AH at reduced rates and Mutineer-4 is currently shut-in. These ESPs will be replaced as part of a drilling and work over programme expected to commence in August. Gross production rates are currently averaging approximately 35,000 bopd.

Stag oil production of 0.65 mmbbl was 47% higher than Q1 2007 reflecting a return to normal operations following downtime associated with cyclone activity.

Legendre oil production of 0.09 mmbbl was 9.1% lower than Q1 2007 due to natural field decline.

Barrow Island oil production remained stable when compared with Q1 2007 at 0.17 mmbbl.

Thevenard Island production of 0.09 mmbbl was 3.5% lower than Q1 2007.

Timor Sea

Crude oil production from the Timor Sea (including Elang/Kakatua, Jabiru and Challis) of 0.07 mmbbl was 11% lower than Q1 2007.

Elang Kakatua production ceased during the quarter as the fields reached the end of their economic life, and will now be decommissioned.

Bonaparte Basin

Gross Bayu-Undan LNG production of 886,000 tonnes (49 PJ) was 40% higher than Q2 2006 reflecting the commissioning of the LNG plant during the prior period. Santos' net entitlement production of 84,792 tonnes (4.7 PJ), was 34% above Q2 2006, with the shift from cost recovery to profit share lowering Santos' net entitlement.

Gross Bayu-Undan condensate production of 6.4 mmbbl was 1% higher than Q2 2006. Santos' net entitlement production of 0.42 mmbbl, was 34% lower than Q2 2006.

Gross Bayu-Undan LPG production of 268,000 tonnes was 3% lower than Q2 2006. Santos' net entitlement production of 23,200 tonnes was 18% lower than Q2 2006.

Indonesia

Sales gas production from Brantas, Kakap and Maleo of 4.3 PJ was higher than Q2 2006 due to the start-up of the Maleo gas project in Q3 2006.

Production from the Maleo field continues to be impacted by capacity restrictions in the East Java gas pipeline (operated by Pertamina) following a rupture of this line during November 2006. Gross production rates from Maleo are currently limited to approximately 75 TJ/day.

Indonesian crude oil production of 0.04 mmbbl was 24% higher than Q1 2007.

Papua New Guinea

Oil production at SE Gobe of 0.06 mmbbl was in-line with Q1 2007.

United States

Sales gas production of 1.0 PJ was 41% lower than Q2 2006 reflecting natural field decline.

Subsequent to the end of the quarter, Santos has announced the conditional sale of its United States business activities.

2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

Capital Expenditure Summary (\$ millions)		Quarter Ended			YTD		Full Year
		Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2006	2006
Exploration							
	Capitalised	(6.3)	37.3	(2.4)	(8.7)	38.3	85.7
	Expensed	33.3	37.0	20.8	54.1	69.0	172.8
Delineation							
	Capitalised	35.6	39.2	45.1	80.7	62.2	184.9
	Expensed	26.1	22.9	19.8	45.9	29.9	68.7
Development							
		280.0	151.7	176.2	456.2	297.8	794.0
Total Capital Expenditure		368.7	288.1	259.5	628.2	497.2	1,306.1

2.1 EXPLORATION ACTIVITY

Exploration expenditure was \$27.0 million in Q2 2007.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Charm-1	Carnarvon Basin	Oil	22.56	P&A
Hurricane-2	Carnarvon Basin	Oil	31.31	P&A during Q3 2007
ST TR 54-L1 (Cougar West)	USA - Offshore	Gas	22.5	Drilling
Pancing-1X	West Natuna Basin	Gas	9	Drilling

Charm-1 located in the Carnarvon Basin spudded on 25 May 2007 and was drilled to a total depth of 2,236 feet. The well was plugged and abandoned with no significant hydrocarbon indication.

Hurricane-2 located in the Carnarvon Basin spudded on 24 June 2007. Subsequent to the end of the quarter, the well encountered a gross 20 metre oil column below the gas column previously encountered in the Hurricane-1 well. Oil and gas volumes are unlikely to be commercial on a stand alone basis and the well has been plugged and abandoned.

ST TR 54-L1 (Cougar West) located offshore USA spudded on 5 May 2007 and is currently drilling ahead at 17,975 feet.

Pancing-1X located in the Kakap PSC, West Natuna Basin spudded on 26 June 2007 and is currently drilling ahead at 8,666 feet. The well is operated by Star Energy.

Seismic Activity

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

Permit	Area/Basin	Type	Km/Km ²	Status
PL2,2A,2B,2C	Alton, Surat Basin	2D Land	211	Complete
PL32,37,53	Spencer, Kiana, Muteroo, Cooper Basin	3D Land	83	Complete
T66, NAC	Watson 3D, Cooper Basin	3D Land	114	Ongoing
Vic/P44	Otway Basin	3D Marine	678	Complete
Block 101-100/04	Song Hong Basin	3D Marine	253	Ongoing

2.2 Forward Exploration Drilling

Drilling Opportunity	Basin/Area	Oil/Gas	Santos WI	Resource Potential (mmboe) Unrisked			Expected Spud Quarter
				0- 50	50-100	100- 250	
Fletcher 1	Dampier	Oil	33.3%		✓		Drilling*
Totem 1	Dampier	Oil	33.3%	✓			Q3
Mahogany 1	Surat/Bowen	Oil	53.8%	✓			Q3
Gallan 1	Cooper	Gas	60.1%	✓			Q4
Montegue 1	Cooper	Gas	60.1%	✓			Q4
Norbill 1	Dampier	Gas	22.6%	✓			Q4
Ichthys North	Browse	Gas	30%			✓	Q4
Charon 1	Houtman	Oil	33%			✓	2008
SEJ 1	Egypt	Oil	100%		✓		2008
Falcon 1	Nam Con Son	Oil	37.5%			✓	2008
EJ 1	East Java	Oil/Gas	45%			✓	2008

* Spudded during Q3 2007

2.3 Delineation Activity

Total delineation expenditure in Q2 2007 was \$61.7 million, of which near-field exploration and exploration appraisal expenditure was \$42.1 million and development appraisal expenditure was \$19.6 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Narcoonowie-5	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Narcoonowie-6	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Hoek-2	Cooper/Eromanga - SA	Oil	100	C&S, successful oil
Caroowinnie-1	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Burke-9	Cooper/Eromanga - SA	Oil	66.6	C&S, successful oil
Burke-10	Cooper/Eromanga - SA	Oil	66.6	Drilling suspended, well to be P&A
Golah Sing-1	Cooper/Eromanga - SA	Oil	79.79	P&A
Wheels-1	Cooper/Eromanga - SA	Oil	86.81	C&S, successful oil
Mudlalee West-1	Cooper/Eromanga - SA	Oil	100	P&A
Gambero-1	Cooper/Eromanga - SA	Oil	66.6	Drilling
Jackson South-10	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Jackson South-11	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Endeavour-29	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Endeavour-37	Cooper/Eromanga - QLD	Oil	89	P&A
Graham-2	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Fajita-1	Cooper/Eromanga - QLD	Oil	55.5	P&A
Nuata East-1	Cooper/Eromanga - QLD	Oil	55.5	P&A
Bogala Central-1	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Tostada-1	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Inspector-1	Cooper/Eromanga - QLD	Oil	89	P&A
Enoggara-1	Cooper/Eromanga - QLD	Oil	89	P&A
Jalapeno-1	Cooper/Eromanga - QLD	Oil	55.5	P&A
Nudgee-1	Cooper/Eromanga - QLD	Oil	4.9	P&A
Marcoola-1	Cooper/Eromanga - QLD	Oil	4.9	C&S, successful oil
Ipundu North-12	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Wilson-9	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Takyah-2	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Takyah-4	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Kooroopa-2	Cooper/Eromanga - QLD	Oil	89	P&A

Kooroopa-3	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-19	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Naccowlah South-15	Cooper/Eromanga - QLD	Oil	55.5	Drilling
Naccowlah South-16	Cooper/Eromanga - QLD	Oil	55.5	C&S, successful oil
Belington-1	Bowen Basin - QLD	CSG	79.5	C&S, successful gas

2.4 Development Activity

Development expenditure during the second quarter was \$280.0 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Fly Lake-21	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Thurakinna- 6	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Goyder-5	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Cooba-2	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Boongala-2	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Big Lake-84	Cooper/Eromanga - SA	Gas	66.6	Drilling
Big Lake-85	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Moomba-178	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Alwyn-7	Cooper/Eromanga - QLD	Oil	66.6	Drilling
Talgeberry-17	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Fairview-125	Bowen Basin	CSG	79.5	In progress
Fairview-127	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-128	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-130	Bowen Basin	CSG	79.5	C&C, successful gas
Fairview-135	Bowen Basin	CSG	79.5	In progress
Fairview-140	Bowen Basin	CSG	79.5	C&S, water injector

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

Oyong Project (Santos 45%, operator)

The oil development phase was approximately 96% complete at the end of the quarter, with all development drilling completed and the floating storage and offtake vessel on location at the field.

Dry dock certification of the leased production barge was completed in June, with sailaway scheduled for August and first production expected at end Q3 2007.

FEED studies for the Oyong Phase II gas development are continuing, with first gas production scheduled for Q4 2008.

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

Four drilling rigs are active on the Cooper Basin Oil Project with two operating in South West Queensland and two in South Australia. The main areas of activity have been in ATP 299 (Endeavour-Mulberry), ATP 259 (Jackson-Naccowlah trend) and in the Narcoonowie and Burke areas.

Flooding caused by extensive rain during the first half of 2007 together with the late arrival and commissioning of the fourth drilling rig, has restricted drilling and connection activities and resulted in some deferred production. Flood water levels have now abated and normal activity levels have resumed.

Production of crude oil with a high pour point has resulted in transport difficulties due to waxing in several pipeline sections. A number of individual wells have been shut-in resulting in a deferral of some production volumes. Contingency planning is well advanced to return these wells to production.

During Q2 2007, 33 wells were drilled, with 21 cased as producers and 12 plugged and abandoned. A total of 32 wells were brought on-line, including 27 producers and 5 water injectors, compared to 10 producers in the previous quarter. Water injection in ATP 299 has achieved target rates greater than production voidage.

Drilling results for the total project to date are presented in the table below.

	Wells Drilled	Drill Results			Wells On Line	
		C&S	Producers	Injectors	Producers	Injectors
2007 YTD	68	52 (76%)	47	5	37	5
2006	108	85 (79%)	74	10	51	5
Total	176	136 (77%)	121	15	88	10

Henry Project (Santos 50%, operator)

FEED studies have been completed for the tie-back of the Henry field to the existing Casino gas production facilities. Tendering for the pipelay and other supply and installation contracts has commenced. Project sanction is planned for Q3 2007 with first gas targeted in Q1 2009.

Kipper Project (Santos 35%, ExxonMobil operator)

FEED studies are nearing completion, with first gas targeted in 2010.

PNG LNG Project (Santos 13.8%, ExxonMobil operator)

Pre-FEED study work continues, evaluating the technical and commercial options for developing a 5.0 to 6.5 million tonnes per annum LNG facility targeting first cargoes in 2012 to 2013. 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 Juha and Angore gas and condensate fields as well as the associated gas from the Kutubu, Gobe and Moran oil fields.

3. BUSINESS DEVELOPMENT

Acquisitions/Divestments

During the quarter, Santos:

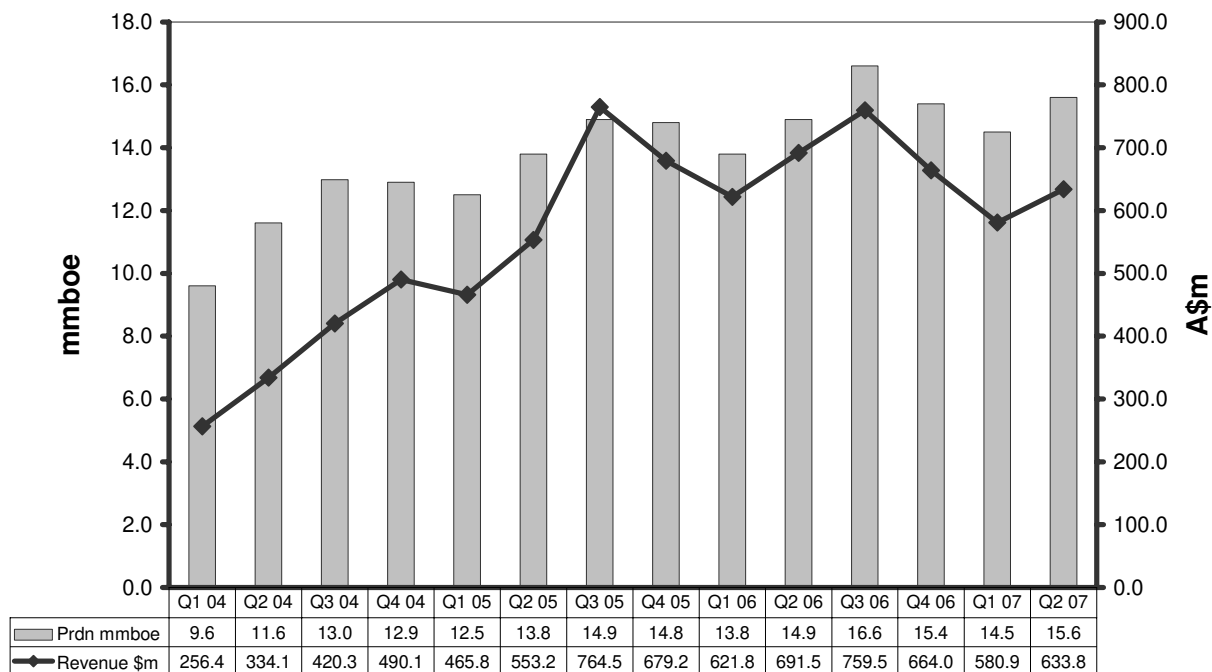
- Acquired 100% of ATP 765P and ATP 766P in South West Queensland from Icon Energy Limited and two private companies.
- Acquired 100% of the share capital of Gidgealpa Oil Pty Ltd, providing Santos with a 4.9% interest in ATP 269P in South West Queensland.
- Acquired 100% of the share capital of Bronco Energy Pty Ltd from Tiger Cat Energy Ltd, providing it with equity interests in various coal seam gas permits in Queensland, including: ATP 631P (79.223%); ATP 735P (97.840%), ATP 803P (100%) and ATP 804P (66.692%).
- Entered into a Farmin Agreement with Australian Coalbed Methane Pty Ltd, a wholly owned subsidiary of Carbon Minerals ML. Under the Agreement, Santos can earn up to a 65% interest in PELs 1 and 12 in New South Wales.

Subsequent to the end of the quarter, Santos announced that it has entered into agreements to sell its exploration and production interests in the United States for a collective US\$70 million (A\$82 million). These agreements are subject to certain conditions. In addition to the cash consideration, Santos will receive a 17.5% net profits interest in three exploration prospects targeting deep gas structures in the Texas State Waters.

4. HEDGING

There was no hedging outstanding at the end of Q2 2007.

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		
CTU	coiled tubing unit		