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Henry Gas Field Project Sanctioned

Santos, on behalf of the Vic/P44 joint venture, today announced the formal sanction of the Henry gas field development project, located offshore Port Campbell in Victoria.

The Henry gas field was discovered in 2005 and will be developed utilising existing infrastructure associated with the Casino gas field which commenced production in early 2006.

Development of Henry will enable additional gas sales to TRUenergy under an existing Gas Sales Agreement for processing at their Iona facility. In so doing, it will contribute to the increasingly important long-term role of natural gas in promoting a lower carbon and water intensive energy portfolio for Victoria.

Santos' CEO, John Ellice-Flint, highlighted that this development is consistent with Santos' strategy of leveraging its existing gas infrastructure to commercialise additional gas volumes in the eastern Australian market.

"The Henry development will facilitate higher gas sales volumes and extend the production plateau from the Casino project facilities by several years" he said.

"In addition, the sub sea infrastructure has been designed to accommodate future additional gas discoveries in a timely and cost effective manner. The joint venture has drilled three exploration wells in this permit with a 100% success rate, which has given us the confidence to pre-invest for further success."

Project Scope

The project capital cost estimate is A\$275 million (Santos share A\$138 million), and includes the following:

- Drill and complete Henry-2 development well;
- Drill Netherby-1 side-track and complete as a development well should the exploration well (planned for mid-2008) be successful;
- Install 17 km of 12" subsea pipeline and control umbilical from the existing Casino facilities to Henry and Netherby;
- Install a further 5 km of subsea pipeline and control umbilical to the Pecten East location; and
- Connect Henry-2 and Netherby-1 and commission through the Casino infrastructure to the gas processing facility at Iona.

The final project scope will be subject to the results of the exploration wells on Netherby and Pecten East.

First gas production is targeted for the first half of 2009, with flow rates of approximately 120 Terajoules per day from the combined Casino and Henry development.

Proven and Probable (2P) reserves at Henry are approximately 150 Petajoules (Santos share approximately 75 PJ) of dry gas.

The VIC/P44 permit, is located in the Otway Basin offshore Victoria, approximately 8.5 kilometres north of the Casino field, 250 kilometres south-west of Melbourne.

Participants in VIC P/44 are wholly owned subsidiaries of:

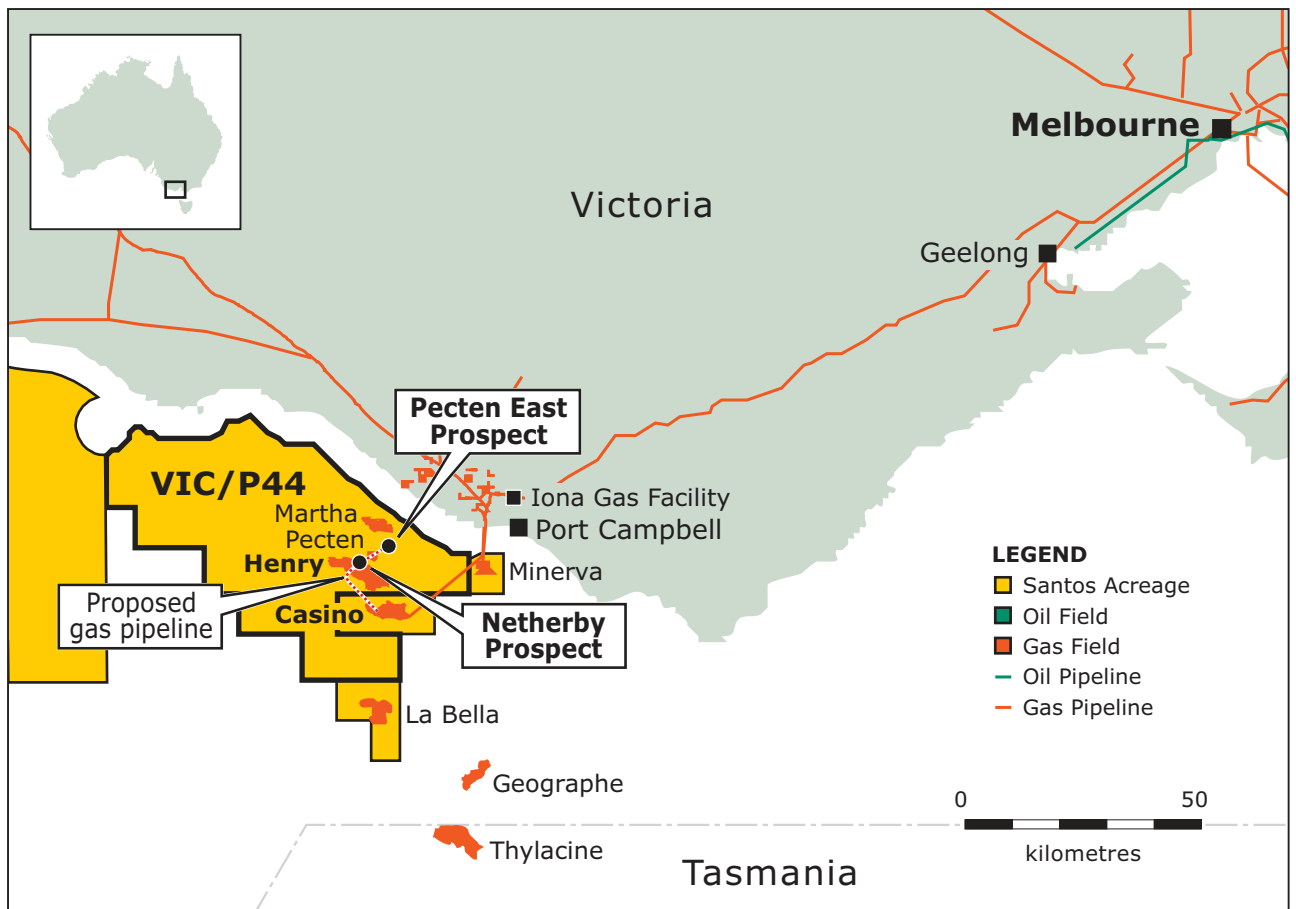
Santos Limited (Operator)	50.0%
Australian Worldwide Exploration Limited	25.0%
Mitsui & Co Limited	25.0%

Map and project schematic attached.

Ends

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

Otway Basin



VIC/P44 Stage 2 Development Project

