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John Brookes production interruption

Santos has been advised by operator Apache Energy Ltd that an incident has occurred that has affected the export gas pipelines from Varanus Island. The incident has resulted in a total cessation of production, including from the John Brookes field, in which Santos has a 45% interest.

John Brookes gas is processed through the East Spar Joint Venture (Santos 45%) processing facilities on Varanus Island. The John Brookes gas field has not been damaged, however all production from the field has been shut-in. Santos' equity production from the John Brookes field in Q1 2008 was 1.36 mmbob.

Varanus Island is located approximately 100 km from Karratha on Australia's Northwest Shelf.

Santos will continue to work with the operator to resume production in a safe and environmentally responsible manner as soon as possible.

Attached is the most recent press release in relation to the incident issued by Apache.

Ends

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

MEDIA RELEASE

Apache Energy Limited Media Release

Date 4/06/08
Time 10.00
HEADLINE **Incident on Varanus Island – Managing Director and Engineers to visit site today**

Perth 4th June 2008

Apache Energy advises the company has safely completed the evacuation of 152 employees back to Perth following a pipeline rupture incident that occurred on Varanus Island, approximately 116 kms west of Dampier in Western Australia.

A team of 14 people representing the core emergency response team from Apache Energy Limited remained safely on site overnight to monitor the incident and will today be joined by Managing Director Tim Wall and engineers to inspect the damage to infrastructure and direct an investigation.

Tim Wall, Managing Director of Apache Energy Limited said the company's response focused immediately on the safety of its personnel and the environment.

"Apache's key focus since 13.40pm (WST) yesterday was the evacuation of personnel and mobilisation of a team to assess the incident.

"I will personally inspect Varanus Island today with company representatives and stakeholders from Government to assess the initial damage to onshore pipelines associated with the gas processing plant.

"We expect the initial assessment will take a number of days to complete and a full internal enquiry will follow.

"I want to commend our personnel for their professionalism and hard work, and want to thank our stakeholders for cooperating with us throughout this process. We are aware that this incident will result in downtime for our customers and will work with other energy suppliers and the gas transmission pipeline operator to help minimise the impact of this incident.

"The level of cooperation from customers during this incident and other stakeholders should be commended," Mr Wall said.

Apache's operations at Varanus Island supply approximately 30% of the State of Western Australia's gas. That supply will be affected by this incident, however cooperation by the State's gas users can assist in reducing the impact.

Apache has been liaising with the WA government on the incident and measures to reduce the impact of a reduction in the State's gas supply.

ENDS