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LNG and oil focus in new \$225 million Santos exploration program

LNG and oil are the focus of a 25 well, high-impact exploration program announced today by Santos for 2006.

Total 2006 expenditure across the Company's Australian and overseas exploration areas is forecast at \$225 million compared with \$187 million spent on exploration in 2005.

Reflecting the widening geographical nature of Santos' exploration portfolio, 17 of the 25 wildcat wells will be drilled outside of Australia. This includes eight wells in the Company's core Indonesian area, two in its emerging Timor-Bonaparte region, and seven wells to be drilled in new Santos areas of interest such as Egypt (three wells) and the shallow water Gulf of Mexico in the USA (four wells).

In Australia, two wells will be drilled in the Carnarvon Basin offshore Western Australia, one well in Queensland's Bowen Basin, two in the Otway Basin and three wells in the onshore Cooper Basin.

Materiality is weighted towards the third and fourth quarters of 2006 when the Lynedoch and Evans Shoal South prospects will be drilled in the Timor-Bonaparte along with exploration wells in the Kutei and East Java basins in offshore Indonesia.

"This 2006 program takes Santos another step towards its stated policy of building a more globally-focused exploration effort as a key plank in our overall growth strategy," said Santos' Managing Director, John Ellice-Flint.

"Oil is the main target for the Kutei and East Java exploration wells which represent the next potentially high volume opportunities in the Company's Indonesia strategy," he said.

"In the Timor-Bonaparte, the Lynedoch and Evans Shoal South prospects hold significant LNG potential and provide us with the opportunity to build on the Caldita gas discovery made in the same area late last year.

"These big impact wells are supported by a suite of high-value gas and oil prospects both internationally and domestically."

In the past year, Santos has increased its acreage position in Australia and the US and, as part of building a stronger international business, acquired exploration acreage in Central Asia (Kyrgyzstan) and Egypt.

In total, over 35,000 square kilometres of new acreage was incorporated into the Santos exploration portfolio in 2005.

The table below details the proposed 2006 exploration drilling program.

Well/Prospect	Basin/Area	Target	Indicative Prospect Upside Resource Potential (mmbobe) Unrisked				Santos % Interest	Quarter Drilling Expected to Commence
			1-50	50-100	100-250	>250		
Chinook	Gulf of Suez	Oil		✓			50	Q1 06
Mosaic 1	Bowen	Gas	✓				51	Q1 06
NZB 3	Gulf of Suez	Oil	✓				50	Q1 06
Pawnee	Gulf of Suez	Oil		✓			50	Q1 06
Thunder 2	Gulf of Mexico	Gas	✓				60	Q1 06
Bricklanding	Barrow	Oil		✓			44	Q2 06
East Java (A)	East Java	Gas/Oil	✓				45	Q2 06
Fletcher	Dampier	Oil		✓			33	Q2 06
East Java (B)	East Java	Gas/Oil			✓		45	Q2 06
Kenedy Deep	Gulf of Mexico	Gas	✓				55	Q2 06
Glenaire	Onshore Otway	Gas		✓			30	Q2 06
East Java (C)	East Java	Oil			✓		45	Q3 06
East Java (D)	East Java	Oil			✓		75	Q3 06
Evans Shoal South	Bonaparte	Gas			✓		40	Q3 06
Kutei (A)	Kutei	Gas/Oil			✓		20	Q3 06
Lepard	Cooper	Gas	✓				61	Q3 06
Lynedoch	Bonaparte	Gas				✓	40	Q3 06
Python	Cooper	Gas	✓				61	Q3 06
Merpati	East Java	Oil		✓			75	Q3 06
Montegue	Cooper	Gas	✓				61	Q3 06
Netherby 1	Offshore Otway	Gas	✓				50	Q3 06
Cougar L	Gulf of Mexico	Gas		✓			50	Q4 06
Hiu Aman Selatan	Kutei	Gas		✓			50	Q4 06
Jaguar A	Gulf of Mexico	Gas	✓				67	Q4 06
Kutei (B)	Kutei	Gas/Oil		✓			50	Q4 06

The exploration portfolio is constantly being optimised so the program is likely to vary as a result of drilling outcomes and as new prospects mature.

Ends

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