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26 October 2006

Record quarterly production for Santos

Santos today reported its highest ever quarterly production of 16.6 million barrels of oil equivalent (mmboe), placing the Company on track to achieve its annual production guidance of a record 60 to 61 mmboe for the full year.

The record production for the three months to 30 September 2006 was 11% higher than the third quarter of 2005 and took production to 45.3 mmboe for the first nine months of 2006 compared with 41.2 mmboe in the previous corresponding period.

Sales revenue of \$759.5 million for the third quarter was in line with the third quarter of 2005 and up 10% on the immediately preceding quarter.

The 2006 third quarter result takes Santos' revenue to \$2.07 billion for the first nine months of the year – up 16% on the previous corresponding period and already 84% of the record full year revenue of \$2.46 billion in 2005.

The average realised gas price for the third quarter was \$3.66 per gigajoule (GJ). The average realised oil price was A\$96.71 (US\$73.18) per barrel.

“This solid third quarter result builds on Santos' record 2005 performance and reflects the Company's continued growth focus and diversification program of recent years,” Santos' Managing Director, Mr John Ellice-Flint, said today.

“Significantly, the record quarterly production takes Santos' total production for the first three quarters of 2006 to 45.3 mmboe and has the Company on track to achieve its production guidance of a record 60 to 61 mmboe for the full year,” he said.

Mr Ellice-Flint said the record third quarter production was driven by a number of new projects that had come on stream for Santos during 2006.

“Major contributors were the John Brookes gas project in the offshore Carnarvon Basin, Western Australia, the Casino gas project in Victoria's offshore Otway Basin and the Bayu-Undan LNG project in offshore northern Australia,” he said.

“First production was also achieved from the Maleo gas project, offshore Indonesia, late in the quarter, giving Santos its first offshore operated project outside Australia.

“In addition, the initial results from our Cooper Oil project are very pleasing. The drilling success rate of 80% from the first 66 wells is above expectations and augurs well for a positive impact on future oil production,” he said.

Other developments during the third quarter include:

- The ongoing flow of mud from the Banjar Panji-1 well incident in East Java, Indonesia, in which Santos has an 18% non-operated interest. Santos continues to work with the operator and government agencies in relation to the relief and remedial efforts;
- The discovery of gas at Evans Shoal South, offshore northern Australia;
- The successful delineation well at Gnu-1, offshore Western Australia, which confirmed a significant gas resource in the Reindeer/Caribou field;
- The signing of a long term contract to supply gas from the John Brookes field, offshore Western Australia, to Wesfarmers for use in domestic LNG production;
- An oil discovery offshore Vietnam where testing has confirmed multiple gas and oil reservoirs in the southern fault block of the Dua structure;
- A farm-in by Korean National Oil Corporation (KNOC) and Samsung Corporation into Santos' Jaguar/Cougar project in Texas State Waters, Gulf of Mexico;
- Successful commissioning of the Mutineer-12 and Exeter-8 development wells which significantly increased production from the Mutineer-Exeter oil development during the quarter; and
- Entering into agreements for the conditional acquisition of Delhi Petroleum which were subsequently terminated by the current owners due to the emergence of a higher competing offer. As a result a break fee was payable to Santos.

Subsequent to the end of the quarter, Santos announced a \$1.26 per share all cash takeover offer (by its wholly owned subsidiary Santos CSG Pty Ltd (Santos CSG)) for Queensland Gas Company Limited (QGC) valuing the coal seam gas company at \$606 million. Santos CSG's Bidder's Statement was mailed to QGC shareholders on 24 October 2006.

Ends

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

STOCK EXCHANGE ACTIVITIES REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2006.

1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 30 September 2006 is shown in the table below:

	Quarter Ended			YTD		Full Year
	Q3 2006	Q3 2005	Q2 2006	2006	2005	2005
Sales Gas, Ethane and LNG (PJ)						
Cooper Basin	29.8	32.0	27.0	81.8	95.2	124.7
Surat/Bowen/Denison	7.9	6.6	7.1	21.9	16.0	22.9
Amadeus	3.1	3.0	2.7	9.0	9.2	12.7
Otway/Gippsland	8.7	3.8	7.6	20.7	11.3	14.1
Carnarvon	9.0	0.4	7.5	24.0	2.1	7.7
Bonaparte (LNG)	3.9	0.0	3.5	8.9	0.0	0.0
Indonesia	1.1	1.0	1.2	3.3	3.7	4.6
USA	1.3	2.0	1.7	4.8	8.5	10.6
Total Sales Gas, Ethane and LNG Production	64.8	48.8	58.2	174.4	145.9	197.3
Total Sales Volume	73.6	63.3	66.7	193.2	176.7	228.2
Gas Price (Avg A\$/GJ)	3.66	3.62	3.78	3.70	3.56	3.62
Total Sales Revenue (A\$m)	269.3	229.3	252.0	715.6	630.0	825.7
Condensate (000's bbls)						
Cooper Basin	427.1	471.9	418.1	1194.4	1456.1	1922.6
Surat/Denison	5.8	10.1	6.8	18.4	25.4	30.8
Amadeus	12.3	11.2	16.0	47.2	29.1	43.7
Otway	8.0	3.8	6.5	17.5	9.9	12.8
Carnarvon	111.9	1.4	78.0	295.6	68.8	101.5
Bonaparte	541.8	628.5	637.2	1842.4	1532.9	2139.9
USA	28.0	46.6	33.1	101.5	191.2	236.1
Total Condensate Production	1134.9	1173.5	1195.7	3517.0	3313.4	4487.4
Total Sales Volume	1086.7	1154.9	1045.8	3498.3	3508.0	4602.7
Condensate Price (Avg A\$/bbl)	94.14	81.39	89.95	87.32	73.26	75.15
Condensate Price (Avg US\$/bbl)	71.24	60.83	67.24	65.40	55.06	55.74
Total Sales Revenue (A\$m)	102.3	94.0	94.1	305.5	257.0	345.9
LPG (000 t)						
Cooper Basin	54.2	55.4	48.2	149.3	165.2	213.6
Surat/Denison	0.0	0.0	0.0	0.0	0.0	0.0
Bonaparte	23.8	29.8	28.2	80.8	66.3	93.6
Total LPG Production	78.0	85.2	76.4	230.1	231.5	307.2
Total Sales Volume	56.3	109.9	77.4	211.5	249.5	302.2
LPG Price (Avg A\$/t)	754.48	614.18	630.30	735.52	577.60	610.35
Total Sales Revenue (A\$m)	42.5	67.5	48.8	155.6	144.3	184.4
Crude Oil (000's bbls)						
Cooper Basin	894.6	906.6	844.8	2561.0	2350.7	3205.9
Surat/Denison	18.2	21.3	14.8	48.9	58.4	74.5
Amadeus	44.7	46.0	32.2	105.0	154.3	196.4
Legendre	148.5	192.7	69.5	326.4	710.1	882.8
Thevenard	115.8	127.3	99.9	289.1	348.5	473.7
Barrow	188.4	191.8	163.9	511.2	573.9	760.1
Stag	727.8	539.7	743.0	2159.4	1608.2	2363.9
Mutineer Exeter	1482.7	2402.7	895.8	3530.5	4590.3	6492.0
Elang/Kakatua	48.1	57.9	50.7	115.5	180.9	184.1
Jabiru/Challis	34.9	41.3	44.2	123.3	130.6	164.4
Indonesia	24.9	30.3	28.4	87.5	91.4	138.3
SE Gobe	65.1	71.8	67.5	201.5	199.2	269.8
USA	9.4	10.5	9.2	27.0	41.8	58.0
Total Crude Oil Production	3803.1	4639.9	3063.9	10086.3	11038.3	15263.9
Total Sales Volume	3571.5	4815.9	3119.9	9544.7	10557.3	14990.2
Oil Price (Avg A\$/bbl)	96.71	77.60	95.07	93.88	71.26	73.83
Oil Price (Avg US\$/bbl)	73.18	58.00	71.08	70.32	52.01	54.76
Total Sales Revenue (A\$m)	345.4	373.7	296.6	896.1	752.3	1106.8
TOTAL						
Production (mmboe)	16.6	14.9	14.9	45.3	41.2	56.0
Sales Volume (mmboe)	17.7	17.6	16.2	47.8	46.3	61.1
Sales Revenue (A\$m)	759.5	764.5	691.5	2072.8	1783.6	2462.8

Sales and Production Summary

Total third quarter production was 16.6 million mboe, an increase of 11% above both Q3 2005 and Q2 2006.

Total sales revenue for the third quarter was \$759.5 million, 1% below Q3 2005 and 10% above Q2 2006.

Production by Product

Comparisons with prior periods for gas and associated 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 subject to seasonal variations.

Sales Gas, Ethane and LNG

Sales gas, ethane and LNG production for Q3 2006 was 64.8 petajoules (PJ), an increase of 33% above Q3 2005.

This increase reflects the start-up of production at John Brookes (Q3 2005), Casino (Q1 2006) and Bayu-Undan LNG (Q1 2006).

Third party gas of 4.9 PJ net to Santos was purchased during Q3 2006 as part of the eastern Australian gas portfolio optimisation.

Quarterly sales gas, ethane and LNG sales volumes totalled 73.6 PJ, an increase of 16% above Q3 2005. Sales revenue of \$269 million increased by 17% reflecting the increased volumes, coupled with higher gas prices.

The average realised gas price increased by 1% to \$3.66 per gigajoule (GJ) compared with \$3.62 per GJ in Q3 2005.

Condensate

Condensate production of 1.1 mmbbl was 3% or 0.04 mmbbl lower than Q3 2005 due to a reduced net entitlement from Bayu-Undan and lower production from the Cooper Basin, offset by the start of production from John Brookes.

Quarterly condensate sales of 1.1 mmbbl was 6% lower due to the lower production and the timing of liftings.

Condensate sales revenue of \$102.3 million was 9% higher than Q3 2005, as the realised condensate price increased by 16% to A\$94.14 (US\$71.24) per barrel from A\$81.39 (US\$60.83) in Q3 2005.

LPG

Quarterly LPG production of 78,000 tonnes was 8% lower than Q3 2005 due to a reduced net entitlement from Bayu-Undan.

LPG sales of 56,300 tonnes was 49% lower than Q3 2005 due to the timing of liftings. Sales revenue decreased by 37% to \$42.5 million from \$67.5 million in Q3 2005.

The realised LPG price increased by 23% to \$754.48 per tonne compared with \$614.18 previously.

Crude Oil

Oil production of 3.80 mmbbl was 24% higher than Q2 2006. This was predominantly due to increased production from Mutineer-Exeter, together with positive performance from the Legendre field.

Oil sales volumes of 3.57 mmbbl were 14% higher than Q2 2006 reflecting the increased production, offset by the timing of liftings.

Crude oil was underlifted by approximately 0.2 mmbbl during the quarter, compared with an overlift position of 0.1 mmbbl during Q2 2006.

Oil sales revenue increased by 16% to \$345.4 million for the quarter. The average realised oil price was A\$96.71 (US\$73.18) per barrel, 2% higher than the Q2 2006 average of A\$95.07 (US\$71.08).

Production by Area

Cooper Basin

Sales gas and ethane production of 29.8 PJ was 7% lower than Q3 2005, reflecting natural field decline.

In line with the reduced gas throughput, condensate production of 0.43 mmbbl was down 9% and LPG production of 54,200 tonnes was down by 2%.

Crude oil production during Q3 2006 of 0.89 mmbbl was 6% higher than Q2 2006 reflecting the early stages of the impact of the active capital investment program. Further discussion in relation to the Cooper Oil Project is included in Section 2.3 of this report.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 7.9 PJ was 20% higher than Q3 2005 due to increased production from the Fairview field.

Amadeus Basin

Sales gas production of 3.1 PJ was 3% above Q3 2005.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 8.7 PJ was 129% above Q3 2005.

Casino production commenced during Q1 2006, and achieved production of 6.0 PJ during Q3 2006.

Minerva production of 0.8 PJ was 35% lower than Q3 2005.

Patricia Baleen production of 1.9 PJ was 25% lower than Q3 2005.

Carnarvon Basin

Sales gas production of 9.0 PJ was significantly above the 0.4 PJ recorded in Q3 2005, reflecting the start-up of the John Brookes field.

Condensate production increased to 0.11 mmbbl in line with John Brookes gas production.

Combined net oil production from Santos' Carnarvon Basin oil assets (including Mutineer-Exeter, Stag, Legendre, Barrow Island and Thevenard Island) of 2.66 mmbbl was 35% above Q2 2006.

Net production from Mutineer-Exeter of 1.48 mmbbl was 66% above Q2 2006, representing an average gross production rate of approximately 48,900 barrels of oil per day (bopd). The Mutineer-12 development well which was brought on line late in Q2 2006 significantly increased production during the quarter.

Two further development wells (Exeter-7 and 8) were drilled during the quarter. Exeter-7 was plugged and abandoned as it was found to be in an area of the reservoir which was already being drained by existing wells. Exeter-8 has been completed and was brought on line during early October 2006.

At the end of the quarter, Mutineer-Exeter production was averaging approximately 40,000 bopd (gross), although this has since increased to approximately 55,000 bopd (gross) due to the contribution from Exeter-8.

Stag oil production of 0.73 mmbbl was 2% lower than Q2 2006 as natural decline was offset by the ongoing water flood program.

Legendre oil production of 0.15 mmbbl was 114% above Q2 2006 following planned maintenance shutdown during the previous quarter.

Barrow Island and Thevenard Island oil production of 0.19 and 0.12 mmbbl was 15% and 16% above Q2 2006 respectively, reflecting the impact of cyclones during the previous quarter.

Timor Sea

Crude oil production from the Timor Sea of 0.09 mmbbl was marginally below Q2 2006.

Bonaparte Basin

The Bayu-Undan field is in a production sharing contract (PSC). Due to sustained high oil prices, net production attributed to Santos during the quarter was negatively impacted by the transition from cost recovery to profit sharing during the quarter.

Gross LNG production during Q3 2006 was 789,000 tonnes (43.0 PJ), and Santos' net entitlement production was 71,000 tonnes (3.9 PJ).

Gross condensate production during Q3 2006 was 6.48 mmbbl which was 5% above Q3 2005. Santos' net entitlement production was 0.54 mmbbl, which was 14% lower than Q3 2005, reflecting the end of cost recovery.

Gross LPG production during Q3 2006 was 283,000 tonnes which was 3% below Q3 2005. Santos' net entitlement production of 23,800 tonnes was 20% lower than Q3 2005, reflecting the end of cost recovery.

Indonesia

Sales gas production from Brantas and Kakap of 1.1 PJ was marginally higher than Q3 2005.

First gas production was achieved from the Maleo gas field late in the third quarter.

Indonesian crude oil production decreased marginally to 0.02 mmbbl.

Papua New Guinea

Oil production at SE Gobe decreased marginally to 0.07 mmbbl.

United States

Sales gas production of 1.3 PJ was 35% lower than Q3 2005 due to natural field decline.

2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

Capital Expenditure Summary (\$ millions)	Quarter Ended			YTD		Full Year
	Q3 2006	Q3 2005	Q2 2006	Q3 2006	Q3 2005	2005
Exploration						
Capitalised	37.0	5.4	37.3	75.3	30.6	36.7
Expensed	48.3	24.7	37.0	117.3	78.0	150.3
Delineation						
Capitalised	69.7	14.7	39.2	131.9	39.3	50.6
Expensed	12.4	10.1	22.9	42.3	29.4	47.0
Development	212.1	177.4	151.7	509.9	517.8	674.5
Total Capital Expenditure	379.5	232.3	288.1	876.7	695.1	959.1

2.1 EXPLORATION ACTIVITY

Exploration expenditure was \$85.3 million in Q3 2006.

Wildcat drilling activity during the third quarter is shown in the table below:

Well	Basin	Target	Licence	Santos Interest (%)	Well Status
Python-1	Cooper/Eromanga - Qld	Gas	ATP259P T66 Block	60.06	P&A
Galloway-1	Gippsland - Vic	Oil	Vic/P39	37.5	P&A
Glenaire-1	Otway - Vic	Gas	PEP 160	30	Drilling
Libris-1	Carnarvon - WA	Oil	WA 246P	15	P&A, oil discovery
Barossa-1	Bonaparte - NT	Gas	NT/P69	40	Drilling
Madi-1	East Java, Indonesia	Oil	Madura Offshore PSC	67.5	P&A
Wortel-1	East Java, Indonesia	Oil/Gas	Sampang PSC	40.5	Gas discovery, P&A as per programme
Dua-5X	Nam Con Son, Vietnam	Oil/Gas	Block 12E	37.5	C&S, oil and gas discovery

Python-1 in South West Queensland permit ATP259, spudded on 23 July 2006 and drilled to a total depth of 2,309 metres. The primary target Patchawarra Formation sands were encountered but were water saturated. The well was plugged and abandoned and the rig was released on 3 August 2006.

Galloway-1 in the Gippsland Basin permit VIC P/39 was spudded on 29 July 2006 and drilled to a total depth of 2,315 metres. The primary and secondary objectives in the Latrobe Group were found to be water bearing and the well was plugged and abandoned. The rig was released on 24 August 2006.

Glenaire-1 in the Otway Basin permit PEP 160 was spudded on 8 September 2006. The primary objective of the well was the Pretty Hill Sandstone with a proposed total depth of 3,945 metres. Currently the well is at 3,386 metres and preparing to sidetrack following well bore deviation problems. The well is operated by Beach Petroleum.

Libris-1 in the Carnarvon Basin permit WA 246P spudded on 15 August 2006. The well encountered drilling difficulties and was sidetracked to test the primary target Angel Formation. The well was plugged and abandoned after encountering hydrocarbon shows in the Angel Formation which are pending evaluation as operational difficulties did not allow testing. The well is operated by Apache Corporation.

Barossa-1 in the Bonaparte Basin offshore Northern Territory spudded on 24 July 2006 and is currently drilling. The well is operated by Conoco Phillips.

Madi-1 in the Madura Offshore PSC, Indonesia, was spudded on 10 September 2006. The well reached a total depth of 1,200 metres and the primary target Mundu Formation limestone was found to be water bearing. The well was subsequently plugged and abandoned with the rig released on 22 September 2006.

Wortel-1 in the Sampang PSC, offshore East Java, Indonesia was drilled to a total depth of 1,464 metres and encountered a gross gas column of 141 metres in the early Pliocene Mundu Formation limestone in the 'A' fault block. A drill-stem test flowed gas at a rate of 18.5 million cubic feet per day through a 56/64" choke with a wellhead flowing pressure of 1,071 psi and condensate at a rate of 4 to 5 barrels per million cubic feet. Following completion of testing operations, Wortel-1 was plugged and abandoned as planned on 7 September 2006. A subsequent appraisal well, Wortel-2 was spudded on 26 September 2006 and plugged and abandoned in early October 2006 having failed to intersect significant hydrocarbons in the 'C' fault block.

Dua-5XRE in the Nam Con Son Basin, offshore Vietnam, was drilled to a total depth of 3,630 metres and intersected multiple gas and oil reservoirs in the southern fault block of the Dua structure. Two intervals were tested with the primary reservoir target flowing oil at a stable rate of 5,543 bopd plus 6.76 million standard cubic feet of gas per day (mmscfd) through a 2" choke. A deeper secondary reservoir flowed at a rate of 247 bopd through a 28/64" choke. Neither zone produced water on test. This well followed the discovery of oil and gas in the northern fault block of the Dua structure with the drilling of the Dua-4X well and sidetracks. The well is operated by Premier Oil.

Banjar Panji-1 Incident

As outlined in ASX releases dated 27 June, 30 June, 21 July and 18 October 2006, Santos has an 18% participating interest in the Banjar Panji-1 well located in the Brantas production sharing contract ("Brantas PSC") near Surabaya on the Indonesian island of Java. The well is operated by Lapindo Brantas Inc.

On 29 May 2006, a well control incident occurred which has resulted in an uncontrolled flow of mud and water to the surface from a series of nearby vents.

The mud continues to flow at a rate of approximately 100,000 to 150,000 cubic metres per day, and has affected a total area of about 400 hectares and 8 villages.

The President of Indonesia has recently appointed a national task force to address regional, environmental and social issues including sealing off the well, disposing of the mud and managing the affected communities.

Addressing these issues is a very complex task involving multiple technical and logistical efforts and liaison with local and regional governments, as well as national government agencies, and non-government organisations.

Well control specialists including Boots and Coots International Control Inc. have been hired to drill relief wells designed to stop the flow of water and mud. An observation well has been successfully drilled and has provided valuable technical data. Two relief wells are planned, the first of which is drilling at a depth of approximately 2,300 feet. The second relief well has been spudded at the time of writing this report.

Santos continues to provide its full support to the operator and we continue to encourage the joint venture to make decisions in the interests of sustainable environmental and community outcomes, and longer term management of the incident.

Seismic Activity

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

Permit	Area/Basin	Type	Km/Km ²	Status
WA-26-L, WA-27-L, WA-191-P	Mutineer-Exeter, Carnarvon Basin	3D Marine	100	Complete
NT/P48	Evans Shoal, Bonaparte Basin	3D Marine	455	Phase 1 (960 km ²) complete
ATP259P	NE Wilson, Cooper Basin	2D Land	54	Complete
PEL114	Bugito-Kobari, Cooper Basin	3D Land	199	Ongoing

Forward Exploration Drilling

The current indicative exploration drilling schedule for the remainder of 2006, together with a number of wells which have been delayed to 2007, is set out in the table below:

Well/Prospect	Basin/Area	Target	Indicative Prospect Upside Resource Potential (mmbœ) Unrisked				Santos % Interest	Quarter Drilling Expected to Commence
			0-50	50-100	100-250	>250		
Lepard	Cooper	Oil/Gas	✓				83	Spudded 24/10/06
Blackbird	Vietnam	Oil		✓			37.5 ⁽¹⁾	Spudded 17/10/06
Semangka	East Java	Gas/Oil			✓		67.5	Spudded 12/10/06
Bricklanding	Barrow	Oil		✓			44	Q4 06
Nubia	Gulf of Suez	Oil	✓				50	Q4 06
Warden	Gulf of Suez	Oil	✓				50	2007
Montegue	Cooper	Gas	✓				61	2007
Fletcher	Dampier	Oil		✓			33	2007
Hiu Aman Selatan	Kutei	Gas		✓			50	2007
Kutei (A)	Kutei	Gas/Oil			✓		20	2007
Kutei (B)	Kutei	Gas/Oil		✓			50	2007
Jaguar R	Gulf of Mexico	Gas	✓				50	2007
Cougar L	Gulf of Mexico	Gas		✓			65	2007
Netherby 1	Offshore Otway	Gas	✓				50	2007

⁽¹⁾On completion of the farmout agreement announced on 26 April 2006, and subject to the receipt of the approvals required from the Government of the Socialist Republic of Vietnam.

The exploration portfolio is constantly being optimised therefore the above program may vary as a results of drilling outcomes, new prospects maturing and rig availability.

2.2 Delineation Activity

Total delineation expenditure in Q3 2006 was \$82.1 million, of which near field exploration and exploration appraisal expenditure was \$64.9 million and development appraisal expenditure was \$17.2 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Gimboola-4a	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-7	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-9	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-18	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-9	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-10	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-11	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-12	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-13	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-14	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Talgeberry-15	Cooper/Eromanga - QLD	Oil	89	C&S, possible water injector
Talgeberry-16	Cooper/Eromanga - QLD	Oil	89	P&A
Whynott-1	Cooper/Eromanga - QLD	Oil	89	P&A
Challum-28	Cooper/Eromanga - QLD	Oil	75	P&A
Challum-29	Cooper/Eromanga - QLD	Oil	100	C&S, successful oil
Challum-30	Cooper/Eromanga - QLD	Oil	100	C&S, successful oil
Cranstoun-3	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Cranstoun-4	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Yanda-17	Cooper/Eromanga - QLD	Oil	55	In progress
Mulberry-21	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Bilberry-1	Cooper/Eromanga - QLD	Oil	89	P&A
Loganberry-1	Cooper/Eromanga - QLD	Oil	89	P&A
Minni Ritchi-1	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Tooten1/1A	Cooper/Eromanga - QLD	Oil	89	P&A, junked hole
Reliance-1	Cooper/Eromanga - QLD	Oil	89	P&A
Cranberry-1	Cooper/Eromanga - QLD	Oil	89	P&A
Kooyong-1	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Eulo-1	Cooper/Eromanga - QLD	Oil	89	P&A
Lilias-1	Cooper/Eromanga - SA	Gas	86.81	P&A
Rissikia-1	Cooper/Eromanga - SA	Oil	86.8	C&S, successful oil
Derrilyn-4	Cooper/Eromanga - SA	Oil	65	C&S, successful oil
Biala-13	Cooper/Eromanga - SA	Oil	66.6	P&A
Limestone Creek-11	Cooper/Eromanga - SA	Oil	86.6	P&A
Perentie South-1	Carnarvon Basin	Oil & Gas	28.57	C&S, successful gas
Jeruk-3	South East Asia	Oil	40.5	C&S, successful oil
Dawson Bend-2STI	Southern Bowen Basin	CSG	75.25	C&C, successful gas
Mahalo-2	Bowen Basin	CSG	30	C&C, successful gas
Fairview-141	Bowen Basin	CSG	75.25	In progress
Pleasant Hills-25 (pilot)	Surat Basin	CSG	100	C&S, water
Mount Hope-2 (pilot)	Surat Basin	CSG	100	C&S, water
Raslie-7 (pilot)	Surat Basin	CSG	100	C&S, water
Grafton Range-24 (pilot)	Surat Basin	CSG	100	C&S, water
Blyth Creek-8 (pilot)	Surat Basin	CSG	100	In progress

2.3 Development Activity

Development expenditure during the third quarter was \$212.1 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Moomba-175	Cooper/Eromanga - SA	Gas	59.75	C&S, successful gas
Moomba-176	Cooper/Eromanga - SA	Gas	59.75	Suspended
Endeavour-6	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-10	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-14	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry-19	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry-25	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Baryulah-12	Cooper/Eromanga - QLD	Gas	60.06	C&S, successful gas
Downlands-4	Surat - QLD	Gas	22.2	C&S, successful gas
Exeter-8	Carnarvon Basin	Oil	33.4	C&S, successful oil
Stag-29H	Carnarvon Basin	WI	55	C&C, water injector
Meider-6	USA - Onshore	Gas	7.5	Unsuccessful gas
Petru-7	USA - Willacy County	Gas	34.38	In progress
Fairview-98	Bowen Basin	CSG	75.25	C&C, successful gas
Fairview-101	Bowen Basin	CSG	75.25	C&C, successful gas
Fairview-104	Bowen Basin	CSG	75.25	C&C, successful gas
Fairview-108	Bowen Basin	CSG	75.25	In progress

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

Maleo (Santos 67.5%, operator)

First gas was achieved on 29 September 2006 on schedule and within the original budget estimate of US\$75 million (A\$100 million). At the time of issuing this report, the gas production rate was meeting customer nominations at 60 mmscfd.

Oyong (Santos 40.5%, operator)

The oil development phase was approximately 95% complete at the end of the quarter, with all development drilling completed and the floating storage and offtake vessel on location in the field.

The re-tendering process is well advanced with the anticipated first oil date remaining as Q2 2007.

Oyong Phase II first gas production continues to be expected in 2H 2008. Front End Engineering and Design (FEED) work on the onshore processing facilities is 50% complete and FEED work on the pipeline has commenced.

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

The Cooper Oil Project is currently delivering positive results. As at the end of September 2006, a total of 66 wells had been drilled with a success rate of 80%.

Three Precision Drilling International (PDI) automated onshore rigs and one conventional rig are currently deployed on the oil programme. A fourth PDI rig is being imported and is scheduled to commence drilling during February 2007. Drilling efficiency is continuing to improve with spud to spud times down to less than 6 days on the first PDI rig.

3. BUSINESS DEVELOPMENT

Acquisitions/Divestments

During the quarter Santos:

- Acquired a further ~3% working interest in the Fairview CSG field and ~1% in the Spring Gully CSG joint ventures from a US based party;
- Farmed-out interests in the Jaguar/Cougar shallow water exploration project in Texas State Waters, Gulf of Mexico to Korea National Oil Corporation (15% to 25% interests) and Samsung Corporation (10% interest);
- Sold a 25% interest in the Lay Creek Coal Seam Methane assets (Western Colorado) to an institutional investor. Santos retains a 25% working interest in the Lay Creek Project;
- Sold all of its holdings in the Raymondville field area in the United States to the operator, Cody Energy LLC (100% owned by Cabot); and
- Entered into agreements for the acquisition of its co-venturer, Delhi Petroleum. These agreements were subsequently terminated and the acquisition did not proceed after a third party made a higher offer that was accepted by the then owners of Delhi Petroleum. As a result a break fee was payable to Santos.

Subsequent to the end of the quarter Santos:

- Entered into a conditional farm-in agreement with DWM Petroleum AG to acquire a 70% equity interest in South Petroleum JSC, which holds six petroleum licenses in the Kyrgyz Republic in central Asia; and
- Announced a \$1.26 per share all cash offer (by its wholly owned subsidiary Santos CSG Pty Ltd) for Queensland Gas Company Limited, valuing the coal seam gas company at A\$606 million.

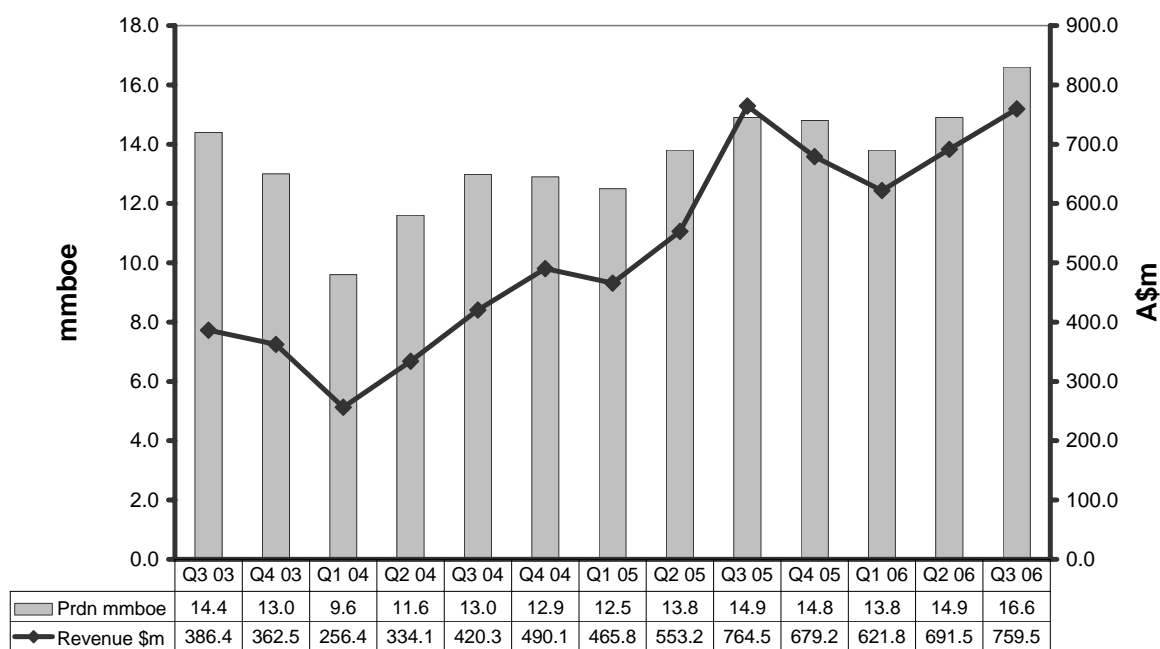
4. BOARD APPOINTMENT

Santos announced the appointment of Mr Roy Franklin OBE to its Board of Directors. Mr Franklin has extensive experience in the international petroleum industry and has held senior positions in major oil and gas companies, including Paladin Resources plc, Clyde Petroleum plc and BP plc.

5. HEDGING

There is no hedging outstanding at the end of Q3 2006.

6. QUARTERLY PRODUCTION AND REVENUE CHART



7. 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	18,227 t
P&A	plugged and abandoned		
C&S	cased and suspended		
C&C	cased and completed		