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First quarter production up by 5%

Santos today announced a 5% increase in first quarter production to 14.5 million barrels of oil equivalent, reflecting the start-up of a number of new projects during the past year.

This record first quarter production was achieved due to new production from the Bayu-Undan LNG, Maleo gas and Casino gas projects, although this was partially offset by the impact of cyclones on Western Australian oil production during the quarter.

Sales revenue of \$580.9 million was 7% lower than the previous corresponding period due to lower realised liquids prices driven by lower oil prices and the strengthening A\$/US\$ exchange rate.

Average realised gas prices increased by over 4% year on year to \$3.83 per gigajoule (GJ).

Commenting on the first quarter result, Santos' Managing Director, John Ellice-Flint said, "This is a strong result for Santos, with production up on last year notwithstanding the impact of cyclones during the period."

"Significant progress was also made during the quarter with the completion of a new export pipeline and installation of additional compression at the Fairview field, which will see coal seam gas production ramp up further during the second quarter. Since October 2005, Santos has doubled Fairview production from 27 terajoules per day (TJ/d) to 55 TJ/d and our target is to lift production towards 70 TJ/d during the second quarter", he said.

"Continued promising results for the Cooper Basin Oil Project, with a drilling success rate of 88% during the quarter augers well for increasing oil production over the remainder of 2007"

"A new discovery well, Itchy-1, was brought online during the quarter, free flowing at rates of approximately 1,000 bopd. The well is now being set up for higher flow with the installation of artificial lift through an electric submersible pump", said Mr Ellice-Flint.

Other significant activities during and subsequent to the March 2007 quarter included:

- 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.
- The award of two offshore deep water exploration blocks in the Bay of Bengal, India.

- The signing of a three year, \$90 million gas supply contract from the John Brookes gas field offshore Western Australia.
- The commencement of Front End Engineering Design (FEED) studies for the Henry gas field, offshore Otway Basin, and the Kipper gas field, offshore Gippsland Basin, both in Victoria.
- The signing of a PNG LNG cost sharing agreement with ExxonMobil and Oil Search.

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 31 MARCH 2007.

1. SALES AND PRODUCTION

Santos' share of production, sales and revenue for the quarter ended 31 March 2007 is shown in the table below:

	Quarter Ended			YTD		Full Year
	Q1 2007	Q1 2006	Q4 2006	2007	2006	2006
Sales Gas, Ethane and LNG (PJ)						
Cooper Basin	22.8	25.0	27.4	22.8	25.0	109.2
Surat/Bowen/Denison	8.0	6.9	7.5	8.0	6.9	29.4
Amadeus	3.4	3.2	3.7	3.4	3.2	12.7
Otway/Gippsland	7.5	4.4	5.6	7.5	4.4	26.3
Carnarvon	7.6	7.5	7.7	7.6	7.5	31.7
Bonaparte (LNG)	3.7	1.5	3.5	3.7	1.5	13.1
Indonesia	4.4	1.0	3.5	4.4	1.0	6.8
USA	1.2	1.8	1.3	1.2	1.8	6.1
Total Sales Gas, Ethane and LNG Production	58.6	51.4	60.2	58.6	51.4	235.3
Total Sales Volume	58.5	52.9	60.8	58.5	52.9	254.8
Gas Price (Avg A\$/GJ)	3.83	3.67	3.70	3.83	3.67	3.78
Total Sales Revenue (A\$m)	223.9	194.3	224.7	223.9	194.3	963.0
Condensate (000's bbls)						
Cooper Basin	362.8	349.2	424.5	362.8	349.2	1618.9
Surat/Denison	6.3	5.8	5.6	6.3	5.8	24.0
Amadeus	30.7	18.9	10.8	30.7	18.9	58.0
Otway	6.5	3.0	5.7	6.5	3.0	23.2
Carnarvon	100.0	105.7	129.0	100.0	105.7	424.6
Bonaparte	446.3	663.4	428.5	446.3	663.4	2384.4
USA	29.6	40.4	22.7	29.6	40.4	124.2
Total Condensate Production	982.2	1186.4	1026.8	982.2	1186.4	4657.3
Total Sales Volume	1104.0	1365.8	1010.4	1104.0	1365.8	4623.9
Condensate Price (Avg A\$/bbl)	70.16	79.92	84.42	70.02	79.92	85.93
Condensate Price (Avg US\$/bbl)	55.25	59.09	66.01	55.25	59.09	65.12
Total Sales Revenue (A\$m)	77.4	109.1	85.3	77.4	109.1	397.3
LPG (000 t)						
Cooper Basin	41.5	46.9	51.3	41.5	46.9	200.6
Surat/Denison	0.1	0.0	0.0	0.1	0.0	0.0
Bonaparte	16.8	28.8	20.4	16.8	28.8	106.3
Total LPG Production	58.4	75.7	71.7	58.4	75.7	306.9
Total Sales Volume	72.0	77.8	77.0	72.0	77.8	294.0
LPG Price (Avg A\$/t)	687.78	826.38	625.47	687.78	826.38	703.28
Total Sales Revenue (A\$m)	49.5	64.3	48.1	49.5	64.3	206.8
Crude Oil (000's bbls)						
Cooper Basin	835.8	821.6	894.1	835.8	821.6	3455.1
Surat/Denison	18.8	15.9	17.9	18.8	15.9	66.8
Amadeus	36.1	28.1	34.3	36.1	28.1	139.3
Legendre	97.8	108.4	135.6	97.8	108.4	462.0
Thevenard	95.2	73.4	101.3	95.2	73.4	390.4
Barrow	167.2	158.9	176.3	167.2	158.9	687.5
Stag	441.7	688.6	609.5	441.7	688.6	2768.9
Mutineer Exeter	1130.3	1152.0	1334.6	1130.3	1152.0	4865.1
Elang/Kakatua	39.5	16.7	45.3	39.5	16.7	160.8
Jabiru/Challis	27.8	44.2	33.8	27.8	44.2	157.1
Indonesia	28.6	34.2	24.1	28.6	34.2	111.6
SE Gobe	56.0	68.9	66.0	56.0	68.9	267.5
USA	7.2	8.4	11.6	7.2	8.4	38.6
Total Crude Oil Production	2982.0	3219.3	3484.4	2982.0	3219.3	13570.7
Total Sales Volume	2837.2	2853.3	3907.5	2837.2	2853.3	13452.2
Oil Price (Avg A\$/bbl)	81.10	89.06	78.29	81.10	89.06	89.35
Oil Price (Avg US\$/bbl)	63.86	65.85	61.20	63.86	65.85	67.71
Total Sales Revenue (A\$m)	230.1	254.1	305.9	230.1	254.1	1202.0
TOTAL						
Production (mmbœ)	14.5	13.8	15.4	14.5	13.8	61.0
Sales Volume (mmbœ)	14.5	13.9	16.0	14.5	13.9	64.1
Sales Revenue (A\$m)	580.9	621.8	664.0	580.9	621.8	2769.1

Summary

Production Volume

- Q1 2007 production of 14.5 million barrels of oil equivalent (mmboe) was 5.1% higher than the corresponding period of Q1 2006, largely due to the start-up of production at Casino (Q1 2006), Bayu-Undan LNG (Q1 2006) and Maleo (Q3 2006).
- Q1 2007 production was 5.8% lower than the previous quarter primarily as a result of lower production of oil from the Cooper Basin (rain impacted) and the Carnarvon Basin (cyclone impacted).

Sales Volume

- Q1 2007 sales volume of 14.5 mmboe was 4.3% higher than the corresponding period of Q1 2006 reflecting the higher production volume.
- Q1 2007 sales volume was 9.4% lower than the previous quarter due to the lower production and timing of cargos.

Sales Revenue

- Q1 2007 sales revenue of \$580.9 million was 6.6% lower than the corresponding period of Q1 2006 reflecting lower realised prices for condensate, LPG and crude oil, offset by a higher realised gas price.
- Q1 2007 sales revenue was 12.5% lower than the previous quarter due primarily to the lower crude oil sales volumes.

Realised Prices

- The Q1 2007 average realised gas price of \$3.83 per gigajoule (GJ) was 4.4% higher than the corresponding period of Q1 2006.
- The Q1 2007 average realised condensate price of A\$70.16 (US\$55.25) per barrel was 12.2% lower than A\$79.92 (US\$59.09) recorded in Q1 2006.
- The Q1 2007 average realised LPG price of \$687.78 per tonne was 16.8% lower than the corresponding period of Q1 2006.
- The Q1 2007 average realised oil price of A\$81.10 (US\$63.86) per barrel was 3.6% higher than A\$78.29 (US\$61.20) recorded in Q1 2006.

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 subject to seasonal variations.

Cooper Basin

Sales gas and ethane production of 22.8 petajoule (PJ) was 8.8% lower than Q1 2006, reflecting natural field decline.

Third party gas of 0.5 PJ net to Santos was purchased during Q1 2007, a 3.0 PJ reduction from Q1 2006, as part of the eastern Australian gas portfolio optimisation.

Condensate production of 0.36 million barrels (mmbbl) was up 3.9% due to changes in field mix.

LPG production of 41,500 tonnes was 11.5% lower than Q1 2006 due to planned maintenance on the Moomba liquids recovery plant during the quarter.

Crude oil production of 0.84 mmbbl was 6.5% lower when compared with Q4 2006. This reflects natural decline of existing fields and the impact of local rain, offset by the early success of the Cooper Basin Oil Project. Further discussion in relation to the Cooper Basin Oil Project is included in Section 2.3 of this report.

Surat Basin/Bowen Basin/Denison Trough

Sales gas production of 8.0 PJ was 15.9% higher than Q1 2006 due to increased production from the Fairview field. Further discussion in relation to the Fairview Expansion Project is included in Section 2.3 of this report.

Amadeus Basin

Sales gas production of 3.4 PJ was 6.3% higher than Q1 2006 due to higher customer demand.

Otway Basin/Gippsland Basin

Aggregate sales gas production of 7.5 PJ was 70.5% higher than Q1 2006, reflecting the full period contribution from the Casino field (start-up Q1 2006, production of 5.4 PJ during Q1 2007).

Carnarvon Basin

Sales gas production from the John Brookes field of 7.6 PJ was 1.3% above Q1 2006, reflecting an increase in customer demand.

Condensate production decreased by 5.4% to 0.1 mmbbl.

Combined net oil production from Santos' Carnarvon Basin oil assets (including Stag, Mutineer-Exeter, Legendre, Barrow Island and Thevenard Island) of 1.9 mmbbl was 18% lower than Q4 2006, reflecting natural field decline combined with the impact of tropical cyclones George, Jacob and Kara.

Net production from Mutineer-Exeter of 1.13 mmbbl was 15.3% lower than Q4 2006, representing an average gross production rate of approximately 37,500 barrels of oil per day (bopd). Production rates for the quarter were impacted by downtime associated with cyclone activity. Gross production rates are currently averaging approximately 48,000 bopd.

Stag oil production of 0.44 mmbbl was 27.5% lower than Q4 2006 due to downtime associated with cyclone activity.

Legendre oil production of 0.10 mmbbl was 27.9% lower than Q4 2006 due to downtime associated with cyclone activity and natural field decline.

Barrow Island oil production of 0.17 mmbbl was 5.2% lower than Q4 2006.

Thevenard Island production of 0.10 mmbbl was 6% lower than Q4 2006.

Timor Sea

Crude oil production from the Timor Sea (including Elang/Kakatua, Jabiru and Challis) of 0.07 mmbbl was 14.9% lower than Q4 2006.

Bonaparte Basin

Gross Bayu-Undan LNG production during Q1 2007 was 824,000 tonnes (45.7 PJ) which was 208% above Q1 2006. Santos' net entitlement production was 66,225 tonnes (3.7 PJ), 142% above Q1 2006, reflecting the full period contribution of LNG production (LNG production commenced Q1 2006), partly offset by the shift from cost recovery to profit sharing.

Gross Bayu-Undan condensate production during Q1 2007 was 6.0 mmbbl which was 8% lower than Q1 2006. Santos' net entitlement production was 0.45 mmbbl, which was 33% lower than Q1 2006, reflecting the shift from cost recovery to profit sharing.

Gross Bayu-Undan LPG production of 260,000 tonnes was 8% lower than Q1 2006. Santos' net entitlement production of 16,800 tonnes was 42% lower than Q1 2006, reflecting the shift from cost recovery to profit sharing.

Indonesia

Sales gas production from Brantas, Kakap and Maleo of 4.4 PJ was higher than Q1 2006 due to the start-up of the Maleo gas project in Q3 2006.

Production from the Maleo field was impacted by capacity restrictions in the East Java gas pipeline (operated by Pertamina) following a rupture of this line during November 2006. During the quarter a temporary bypass was installed which enabled gross rates of up to approximately 100 TJ/day, however, at the end of the quarter this bypass was closed for operational reasons, with gross production rates now reduced to between 50 to 60 TJ/day.

Indonesian crude oil production of 0.03 mmbbl was 19% higher than Q4 2006.

Papua New Guinea

Oil production at SE Gobe of 0.06 mmbbl was 15.2% lower than Q4 2006.

United States

Sales gas production of 1.2 PJ was 33% lower than Q1 2006 reflecting natural field decline.

2. CAPITAL EXPENDITURE

Total capital expenditure is summarised in the table below:

Capital Expenditure Summary (\$ millions)	Quarter Ended			Full Year	
	Q1 2007	Q1 2006	Q4 2006	2007	2006
Exploration					
Capitalised	(2.4)	1.0	10.4	(2.4)	85.7
Expensed	20.8	32.0	55.5	20.8	172.8
Delineation					
Capitalised	45.1	23.0	53.0	45.1	184.9
Expensed	19.8	7.0	26.4	19.8	68.7
Development	176.2	146.1	284.1	176.2	794.0
Total Capital Expenditure	259.5	209.1	429.4	259.5	1,306.1

2.1 EXPLORATION ACTIVITY

Exploration expenditure was \$18.4 million in Q1 2007.

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

Well	Basin	Target	Licence	Santos Interest (%)	Well Status
Rad-2X	Egypt	Oil	Ras Abud Durag, Central Gulf of Suez	50	P&A

RAD-2X in the Egyptian Gulf of Suez concession of Ras Abu Darag spudded on 6 January 2007 and drilled to a total depth of 7,700 feet. The primary target, the Nubia Sandstone, was intersected at 7,366 feet. The well was plugged and abandoned with no significant hydrocarbon indication. The rig was released on 19 February 2007.

Sidoarjo Mudflow Incident

Santos has an 18% participating interest in the Brantas Production Sharing Contract ("Brantas PSC") near Surabaya on the Indonesian island of Java. Lapindo Brantas is the operator and holds a 50% participating interest in the Brantas PSC.

On 29 May 2006, mud and water commenced flowing to the surface from a series of vents approximately 200 metres from the Banjar Panji-1 exploration well. 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 450 hectares.

In its Financial Report for the year ended 31 December 2006, released to the market on 22 February 2007, Santos recorded a provision of A\$88.5 million which incorporates the Board's prudent estimate of the costs that may arise relating to the incident.

This provision reflects an assumption that a resolution will ultimately be agreed between the Government, Lapindo Brantas Inc, the non operating PSC partners (Santos Brantas Pty Ltd and PT Medco E&P Brantas) and all other relevant parties as to the costs related to long-term mud management options, proposed costs of infrastructure relocation and any third party claims.

Offsetting this provision, Santos recognised an amount of A\$21.8 million as insurance proceeds, leading to a net provision of A\$66.7 million.

This insurance amount reflects recoveries under policies held by the joint venture, together with a progress claim under the Company's own well control insurance policy.

Further announcements in relation to Santos' share of potential costs relating to the Banjar Panji-1 incident will be made as definitive information becomes available and has been evaluated.

Seismic Activity

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

Permit	Area/Basin	Type	Km/Km ²	Status
NT/P61, 69	Caldita/Bonaparte	3D Marine	2,253	Ongoing

2.2 Forward Exploration Drilling

Drilling Opportunity	Basin/Area	Oil/Gas	Santos Interest %	Indicative Prospect Upside Resource Potential (mmboe) Unrisked			Quarter Drilling Expected to Commence
				0- 50	50-100	100- 250	
Hurricane-2	Dampier	Oil	31.3	✓			Q2
Charm-1	Dampier	Oil	22.6	✓			Q2
Totem-1	Dampier	Oil	33.3	✓			Q2
Mahogany-1	Surat/Bowen	Oil	53.8	✓			Q3
Fletcher-1	Dampier	Oil	33.3		✓		Q3
EJ-1	East Java	Oil/Gas	40.5			✓	Q3
Falcon-1	Nam Con Son	Oil	37.5			✓	Q4
SEJ-1	Egypt	Oil	100.0		✓		Q4
Gallan-1	Cooper	Gas	60.1	✓			Q4
Charon-1	Houtman	Oil	33.0			✓	Q4
Montegue-1	Cooper	Gas	60.1	✓			Q4

2.3 Delineation Activity

Total delineation expenditure in Q1 2007 was \$64.9 million, of which near-field exploration and exploration appraisal expenditure was \$44.0 million and development appraisal expenditure was \$20.9 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Dullingari-58	Cooper/Eromanga – SA	Oil	66.6	C&S, successful oil
Dullingari-59	Cooper/Eromanga – SA	Oil	66.6	C&S, successful oil
Dullingari-60	Cooper/Eromanga – SA	Oil	66.6	P&A
Wilpinnie-4	Cooper/Eromanga – SA	Oil	33.3	C&S, successful oil
Shazlick-1	Cooper/Eromanga – SA	Oil	100	In progress
Endeavour-31	Cooper/Eromanga – QLD	Oil	89	P&A
Endeavour-36	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Endeavour-39	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-27	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-35	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-41	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-42	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-44	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Mulberry-45	Cooper/Eromanga – QLD	Oil	89	P&A
Thungo-13	Cooper/Eromanga – QLD	Oil	61.0625	C&S, successful oil
Muthero-4	Cooper/Eromanga – QLD	Oil	59	C&S, successful oil
Muthero-5	Cooper/Eromanga – QLD	Oil	59	C&S, successful oil
Muthero-6	Cooper/Eromanga – QLD	Oil	59	C&S, successful oil
Huckleberry-2	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Gunna North-1	Cooper/Eromanga – QLD	Oil	55.5	C&S, successful oil
Kamel-1	Cooper/Eromanga – QLD	Oil	89	C&S, successful oil
Tequila-1	Cooper/Eromanga – QLD	Oil	55.5	P&A
Brynog-1	Bowen Basin – QLD	Gas	12.1836	P&A
Ironbark Gully-1	Bowen Basin – QLD	CSG	79.5	C&S, successful gas
Lonesome-1	Bowen Basin - QLD	CSG	79.5	C&S, successful gas
Hardenely-1	Bowen Basin - QLD	CSG	79.5	C&S, successful gas

2.4 Development Activity

Development expenditure during the first quarter was \$176.2 million.

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

Well	Basin/Area	Target	Santos Interest (%)	Well Status
Endeavour-17	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Endeavour-25	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-26	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-33	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Endeavour-34	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Endeavour-35	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Coonaberry-2	Cooper/Eromanga - QLD	Gas	60.0625	C&S, successful gas
Thungo-9	Cooper/Eromanga - QLD	Oil	61.006	C&S, successful oil
Thungo-10	Cooper/Eromanga - QLD	Oil	61.006	C&S, successful oil
Mulberry-28	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry-29	Cooper/Eromanga - QLD	Oil	89	C&S, successful oil
Mulberry-30	Cooper/Eromanga - QLD	Oil	89	C&S, water injector
Muthero-7	Cooper/Eromanga - QLD	Oil	59	C&S, successful oil

Epsilon-11	Cooper/Eromanga - QLD	Gas	66.6	C&S, successful gas
Fly Lake-22	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Fly Lake-23	Cooper/Eromanga - SA	Gas	66.6	C&S, successful gas
Moorari-12	Cooper/Eromanga - SA	Gas	66.6	Operations suspended due to flooding
Barina-8	Cooper/Eromanga - SA	Gas	66.6	In progress
Moomba-177	Cooper/Eromanga - SA	Gas	66.6	C&S, pending drilling of the primary objective with a CTU
Fairview-106	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-114	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-115	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-116	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-120	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-121	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Fairview-126	Bowen Basin - QLD	CSG	79.5	C&S, successful gas
Fairview-127	Bowen Basin - QLD	CSG	79.5	C&C, successful gas
Spring Gully-13	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-14	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-15	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-19	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-20	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-21	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-56	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-57	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-59	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-63	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-65	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-66	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Spring Gully-67	Bowen Basin - QLD	CSG	0.20*	C&S, successful gas
Durham Ranch-73	Bowen Basin - QLD	CSG	4	In progress

* 0.20% revenue interest, 0.00% capital interest until joint venture pay out at which point interest becomes 2.00% in revenue and capital.

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

Oyong Project (Santos 40.5%, operator)

The oil development phase is 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.

Modifications to the leased production barge continue and production is expected to commence in late Q2 2007 or early Q3 2007.

Oyong Phase II first gas production is expected in Q4 2008. Front End Engineering Design (FEED) work on the onshore processing facilities and pipeline is 95% complete.

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

Four drilling rigs are active on the Cooper Basin Oil Project with three operating in South West Queensland and one in South Australia. The main areas of activity have been in ATP 299 (Endeavour-Mulberry), ATP 269 (Thungo-Muthero), ATP 259 (Jackson-Naccowlah trend) and in the Dullingari area.

In the first quarter 33 wells were drilled, with 24 cased as producers, 5 cased as injectors and 4 plugged and abandoned, a success rate of 88%.

The new discovery well Itchy was brought online during the quarter, free flowing at rates of approximately 1,000 bopd. The well is now being set up for higher flow with the installation of artificial lift through an electric submersible pump.

Fairview Expansion Project (Santos 79.5%, operator)

The construction of a new sales gas pipeline from Fairview to Wallumbilla and installation of four additional compressors at Fairview was completed during Q1 2007. First gas entry into the pipeline occurred on 23 March and the compressors are being progressively commissioned, with all to be operational by the end of April.

Production from the Fairview field has reached 55 TJ/d, which will be further increased over the next quarter towards the target of 70 TJ/d as additional wells are connected. This production more than doubles the average of 27 TJ/d before the acquisition of Tipperary in October 2005.

Henry Project (Santos 50%, operator)

FEED studies are underway for the tie-back of the Henry field to the existing Casino gas production facilities. Completion of Definition Phase activities is expected by Q3 2007, with first gas targeted in Q1 2009.

Kipper Project (Santos 35%, ExxonMobil operator)

Engineering studies are underway with completion of FEED expected during Q2 2007 and with first gas targeted in 2010.

PNG LNG Project (Santos 17%, ExxonMobil operator)

A cost sharing agreement enabling the commencement of a pre-FEED study was signed after the end of the quarter. 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 nearby Juha and Angore fields.

The pre-FEED study will evaluate the technical and commercial merits of developing a 5.0 to 6.5 million tonnes per annum LNG facility targeting first cargos in 2012 to 2013.

3. BUSINESS DEVELOPMENT

Acquisitions/Divestments

During the quarter, Santos:

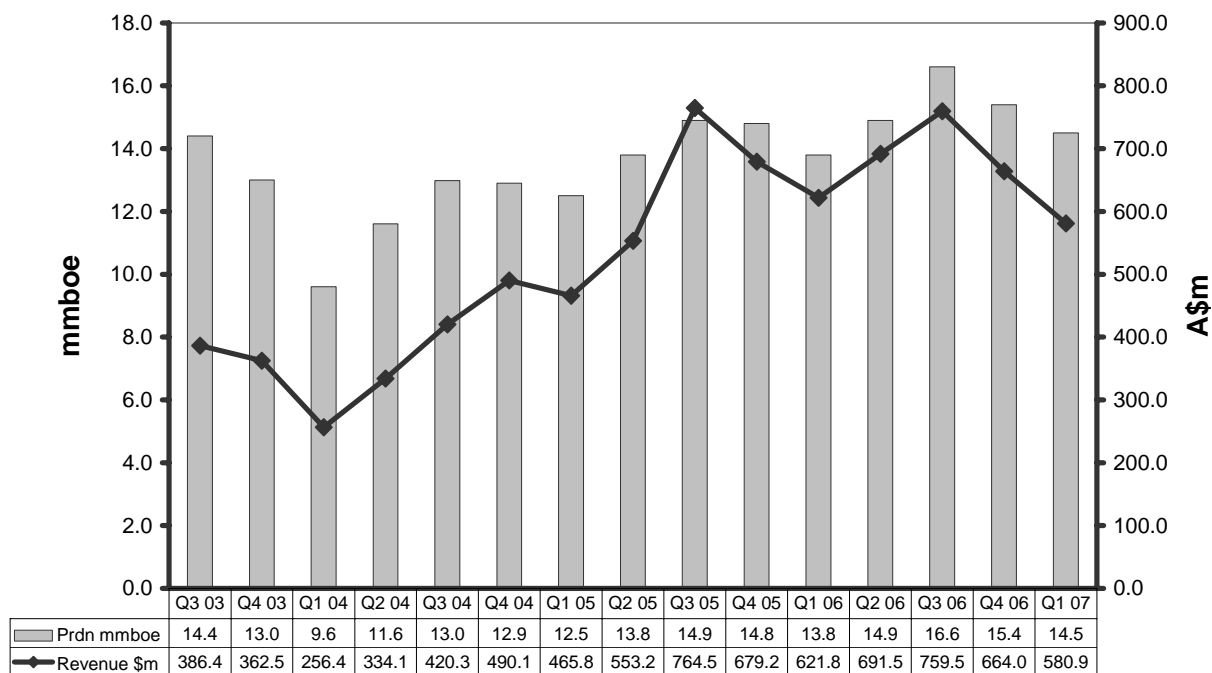
- Progressed the divestiture of all of Santos' interests in the United States, with a sale expected to be completed during Q2 2007.
- Acquired a further 0.3% interest in the Fairview CSG field and surrounding exploration acreage from a US-based party. Ownership interests in these areas now comprise only subsidiary companies of Santos and Origin Energy.
- Acquired a further ~1.5% interest in the Origin operated Spring Gully CSG field and the surrounding exploration acreage from US-based Delta Petroleum.
- Executed a farm-in agreement with Sundance Energy under which Santos can earn up to a 60% interest in ATP 820P, ATP 636P and ATP 661P in south-west Queensland.
- Executed a farm-in agreement with Drillsearch Energy under which Santos can earn up to a 60% interest in ATP 783P in south-west Queensland.
- Discontinued its offer to acquire shares in the ASX-listed Queensland Gas Company based on an adverse ruling by the Australian Consumer Competition commission.

- Secured two offshore deep water exploration licences in the Bay of Bengal, with a commitment to an eight-year US\$70 million (A\$90 million) work program.

4. HEDGING

There was no hedging outstanding at the end of Q1 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		