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Santos challenges QGC to provide valuation

Santos today challenged Queensland Gas Company ("QGC") to provide relevant and credible valuation benchmarks to support QGC's claims that Santos' offer price of \$1.26 undervalues the company and that it is "opportunistic and patently inadequate".

It was also reported today that QGC may not appoint an independent valuer to assess Santos' offer.

Santos encourages QGC's Board to unambiguously provide an objective and reasoned view on value, including outlining all reasonable supporting assumptions on which the view is based, so that all QGC shareholders will have sufficient information to determine the merits of Santos' cash offer. Accordingly, Santos would expect QGC's Target's Statement to contain a detailed and credible valuation report to support any of the Board's claims in relation to value.

As outlined in Santos' Bidder's Statement, Santos' \$1.26 cash offer represents a 24% premium to QGC's closing share price on 3 October 2006 and a 47% premium to QGC's three month volume weighted average price to that date. QGC's references to a premium to QGC's closing price on 4 October 2006 are irrelevant given Santos' significant on-market purchases on that date.

Further, Santos' offer price is exactly double the 63 cent price at which QGC recently raised capital.

Santos' offer price also represents an attractive reserves valuation multiple and factors in the upside potential of QGC as outlined in its recent rights issue prospectus and various other ASX releases.

Santos' takeover offer has been made by its wholly owned subsidiary Santos CSG Pty Ltd ACN 121 188 654.

Ends

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