

CARNARVON  
PETROLEUM  
L I M I T E D  
ABN 60 002 688 851

5 March 2007

Company Announcements Office  
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

**2007 WORK PROGRAMME – PHASE 2 PROGRAMME EXPANDED**

**HIGHLIGHTS**

- 1 Phase 1 work programme was completed in 2006 with the drilling of 8 wells. The final well (POE-9) has been production tested and has maintained flow rates for over 2 months at between 320 and 389 bopd – this confirms a new field discovery.**
- 2 The Joint Venture has agreed an expanded Phase 2 work programme for 2007 which will comprise an accelerated development, appraisal and exploration programme with the drilling of up to 37 wells. It will also include the acquisition of 100 sq kms of 3D seismic – anticipated to be recorded in April 2007.**
- 3 Phase 2 drilling is anticipated to commence in March 2007, subject to final necessary approvals, with 2 rigs contracted plus a workover rig. The anticipated drill programme will comprise up to 4 wells per month.**

**Phase 2 Programme Overview**

Following the success of the POE-9 well at the end of the 8 well Phase 1 drilling programme in 2006, the Joint Venture has planned an accelerated well programme for 2007 of up to 37 wells commencing in March subject to receiving necessary approvals. This will comprise a combination of development, appraisal and exploration wells which has the objective of extensively developing the oil potential of Carnarvon's two exploration and production licences in Thailand and substantially increasing oil production.

Planning is also underway to record a 100 sq km 3D seismic survey in April, to enable optimum placement of those planned wells outside existing 3D seismic coverage.

## **POE-9 (Na Sanun East) Appraisal / Development Programme**

A firm programme of 5 wells will appraise and if successful, develop the four volcanic reservoir zones identified in POE-9 of which only one has been flow tested. The first appraisal well L44-G is anticipated to commence drilling in April 2007 and will comprise a step-out 7.2 kilometres north of the POE-9 discovery well. This is a significant step-out and will appraise the most northern extension of the 13.3 sq km POE-9 structural closure. The next well L44-H will be located 1.7 kms north of POE-9. Both L44-G and L44-H will be located on high culminations on the greater Na Sanun East structural closure.

Recent discussions with the Government of Thailand have indicated the desire for at least one additional well into the POE-9 structure prior to submitting an application for a new production licence over the Na Sanun East field. The application process is anticipated to take up to six months for approval after which time full scale development of the field, anticipated to commence in October 2007, will be carried out using two contracted rigs. The two programmed wells L44-G and L44-H are anticipated to adequately appraise the extent of the oil field and hence support a production licence application.

Meanwhile, 3 development wells are planned to be directionally drilled into the area north and south of the POE-9 well, commencing early April, to be drilled from the existing Na Sanun production license to the west of POE-9.

An extensive coring programme is planned over all four volcanic zones utilising a recently acquired 20 metre core barrel expected to arrive in Thailand shortly. Core data will assist in evaluating the reservoir properties and enable reserves to be better quantified.

The POE-9 oil discovery well continues to produce at oil rates of 320 to 389 bopd with negligible water cut of 0.05%. Production rates are at times constrained slightly due to wax formation within the "slim hole" casing and tubing design. These are speedily remedied by "hot washing" the tubing. A number of alternative operational changes are being considered to limit wax build up and significantly increase oil production rates, and these will be considered for implementation on future wells.

## **Na Sanun Appraisal Programme**

Three wells are planned to evaluate the potential of the previously drilled Na Sanun structure to the west of and separate to the POE-9 (Na Sanun East) oil discovery. These planned wells will follow up drilling in 1994 of Na Sanun-1 which flowed oil at rates of approximately 1,400 bopd from an uppermost volcanic fractured reservoir for a period of 1.5 days before quickly watering out.

Following the oil discovery at POE-9, a review of the Na Sanun-1 well data was initiated by the operator Pan Orient. This indicated that no cement was set in the well bore between 545 and 1,200 metres, straddling the production zone, with a poor cement job elsewhere. It is interpreted that the sudden water breakthrough at Na Sanun-1 could be the result of a lack of isolation of the producing reservoir over a 655 metre interval of "free pipe", and that the results, whereby there was early breakthrough of produced water, were not a valid test of the producing oil zone. To confirm this interpretation, the first appraisal well NS-3 will be located 1.4 kms south of Na Sanun-1 and will target all five volcanic reservoir zones encountered in Na Sanun-1. The NS-3 well is anticipated to commence drilling in March and is anticipated to take up to 14 days to drill.

## **L44/43 Exploration Programme**

In addition to the appraisal programme outlined for Na Sanun and POE-9 (Na Sanun East), another three wells will be drilled in the region of the POE-9 discovery.

The L44-W well will target the 13 square kilometre Bo Rang structural closure 8.5 kms north of POE-9. Bo Rang-1, previously drilled in 1990 near the crest of the structure, flow tested 5.5 MMcf/d of gas and encountered lost circulation (indicating porous intervals) in another three deeper volcanic zones. The L44-W well will target the oil potential of these deeper zones.

Planned wells L44-R and L44-V will target separate nearby structural closures of 4 sq kms and 6.5 sq kms in area.

An additional 8 exploration wells will target prospects throughout the L44 concession. This will include the appraisal of the Si Thep oilfield, which has produced over 50,000 barrels of oil from one well and seen no drilling activity since 1990.

One well will also appraise the POE-6 (drilled in Phase 1) new oil discovery in a separate structural block adjacent and to the west of the Wichian Buri oil Field.

## **L33/43 Exploration Programme**

The L33/43 permit is large, covering 4,000 sq kms in area situated immediately north of the L44/43 permit. Exploration in this northern permit has been minimal with only one well drilled in 1990 on the southern margin. Seismic coverage is sparse with previous 2D seismic covering approximately 20% of the permit and restricted mostly to the extreme south.

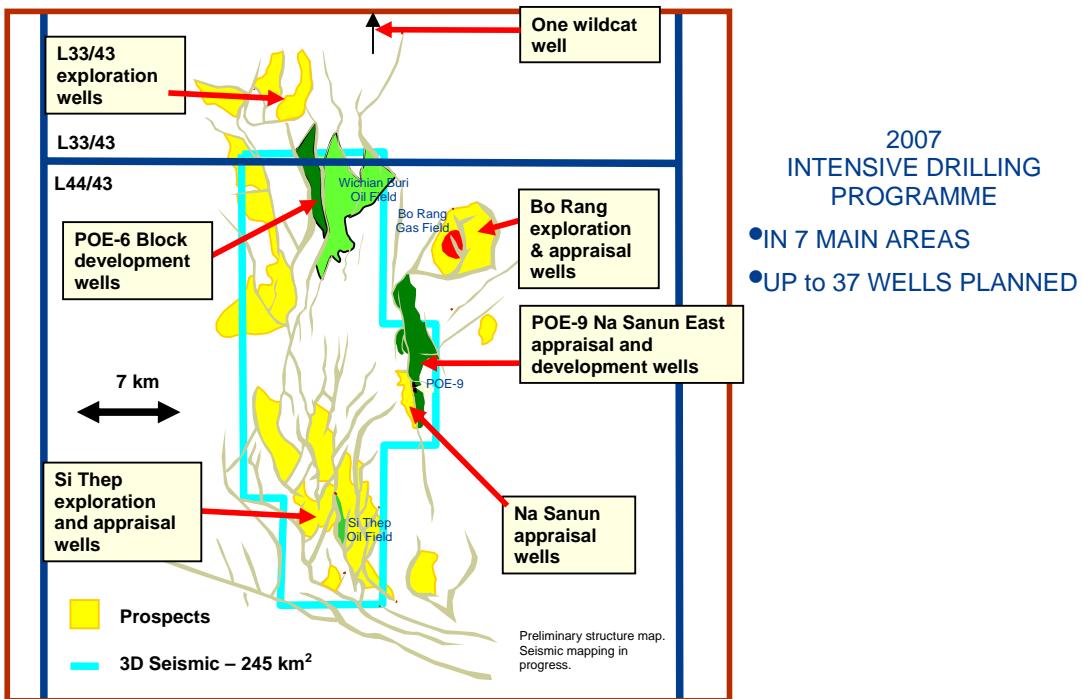
Three wells are planned for drilling within this sparse seismic coverage targeting both volcanic (cf. POE-9) and clastic (cf. Wichian Buri) reservoir prospects.

One additional well will be drilled as a wildcat located on a single seismic line in a new sub-basin located 30 kilometres north of the Joint Venture's producing Wichian Buri sub-basin. The well will provide important information on the prospectivity of proven, mature oil-prone source rocks in this new part of the basin.

Carnarvon's Managing Director Ted Jacobson commented:

"Carnarvon and its Joint Venture Partner and operator, TSX listed Pan-Orient Corporation, are delighted with the results of the phase 1 exploration programme. Results from the 8 well drill programme, where 7 wells are now producing or soon to be producing, confirm the prospectivity and productivity of the Wichian Buri oilfield and highlight upside from additional areas such as POE-9. Results from the interpretation of new 3D seismic and previous wells drilled in the permits further confirm this view. Following the success of phase 1, new opportunities have been identified, and we are delighted with the quality of the selected drill targets and the expanded phase 2 drilling programme that has been agreed by the Joint Venture."

Carnarvon is currently considering alternatives in respect of funding for the initial stages of the expanded phase 2 programme. Cashflows from producing fields are expected to fully fund the latter stages of the drilling programme. Further details will be provided over the coming weeks."



## Permit Holders

Pan Orient (Operator) 60%  
**Carnarvon Petroleum 40%**

Yours faithfully,

Carnarvon Petroleum Limited

RA Anderson  
 Company Secretary