



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

11 July 2006

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW 2000
Via ASX Online

Dear Sirs,

DEVELOPMENT DRILLING COMMENCES WICHIAN BURI OIL FIELD

Highlights

- **Development drilling has commenced at Carnarvon's 40% owned Wichian Buri Oil Field in Thailand;**
- **6 wells to be drilled back-to-back as part of Phase 1 drilling programme;**
- **Phase 2 drilling programme planned for 2006/07 to see up to 20 wells drilled;**
- **Work-over programme to optimize existing wells currently being planned;**

Phase 1 Drilling Programme

Carnarvon Petroleum Limited ("**Carnarvon**") is pleased to announce that the first well of the initial 6 well drilling programme within the company's Thailand Oil Field at Wichian Buri, POE-2, was spudded (commenced drilling) this morning, Tuesday 11 July 2006. The well is programmed to drill to a total depth of 1,310 metres.

All sandstone reservoirs below 500 metres in the Wichian Buri Group are prospective for oil. These are termed "A" to "H" sandstones and most of these intervals will be intersected by POE-2 in structurally high positions. The current producing sandstone reservoir at Wichian Buri is the "F" sandstone and the primary target of POE-2 will be this "F" sandstone in a location updip of all the previously drilled Wichian Buri North wells. The well is located 0.24 kilometres to the northeast of Wichian Buri N-2 which has been one of the best producers on the field.

Several previous wells have drilled into the deeper "G" sandstone reservoir and have encountered oil shows with logs indicating the potential for moveable oil. POE-2 is planned to be deepened beneath the "F" sandstone to evaluate and hopefully test oil potential at this level.

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POE-2 is the first of 6 wells planned for Phase 1 to be drilled from now until October. Targets have been identified from reprocessed 3D seismic (see figure 1 below). Each well will take up to 12 days to drill. The wells are planned in such a way that the potential for reservoir damage from drilling will be minimized. Each well will be drilled quickly and immediately logged to provide information on the nature of the reservoir interval and hydrocarbons present. A liner will be immediately run to ready the hole for the following perforation and testing programme and to minimize reservoir damage.

The aim of the overall flow testing programme is to minimize well bore damage so that maximum flow can be achieved, and to do this in the most economical way. To enable this, a smaller truck mounted rig will be contracted to commence perforating and flow testing, commencing in late August. For each well, the test programme will commence with perforation and testing of the deeper "G" sandstone following which the "F" sandstone will be perforated and tested. This may be modified if oil potential at other levels is seen in the hole. Each well will be flowed for 30 days to enable a good analysis of flow characteristics. It is anticipated that all 6 wells will be flow tested in this manner between September and November.

Phase 2 Drilling Program

Processing of the recently acquired 245 sq km of 3D seismic is well advanced. Once completed targets will be defined for the Phase 2 drilling programme. Once the main drilling rig has completed Phase 1 in October, it will be readied for the Phase 2 drilling programme of up to 20 wells which will carry on into 2007. The smaller completion rig will be contracted for a shorter period for the testing programme only.

Workover of Existing Producing Wells

Work is also progressing in preparing a workover programme for the existing producing wells. It is apparent from an initial analysis that many of the wells are not performing according to normal anticipated production profiles. There would appear to be room for significant improvement in production from several of these wells. A programme to re-enter and workover these wells will await results of the current Phase 1 drilling programme which should provide insight into how these wells might produce under optimal conditions.

Field Trip

Carnarvon's CEO, Ted Jacobson commented "I have just returned from a trip to Bangkok where with the operator, Pan Orient, we agreed on a sound and economical programme for drilling and testing the six production wells for this first phase of drilling. This programme will result in the least risk of reservoir damage in wells at minimal cost to the programme, which in turn will hopefully result in the most optimal flow rates when the wells are brought into production. Pan Orient has done an excellent job in taking over as operator in a short time frame and this is reflected in the well thought out and planned operations. The environmental and safety considerations of the plans are also of a high standard.

While in Bangkok I also had constructive meetings with the Thai Department of Mineral Fuels which is very supportive of the new Wichian Buri joint venture partners and receptive to Carnarvon's aspirations for new ventures in the region."

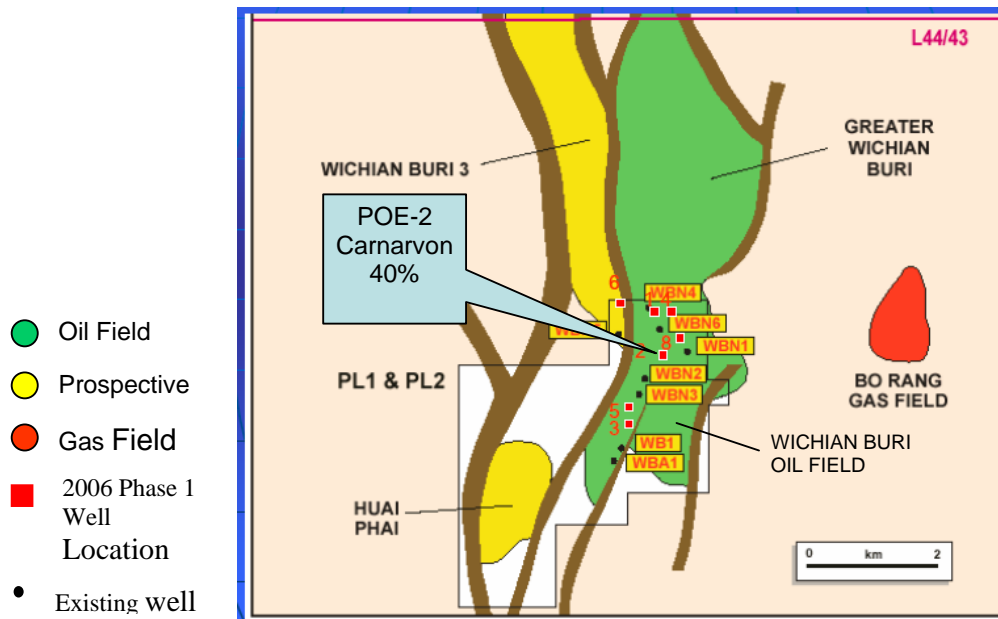


Figure 1 – Phase 1 Drill Programme

Permit Holders:

Pan Orient (Operator)	60%
Carnarvon Petroleum	40%

Yours faithfully,

Carnarvon Petroleum Limited

RA Anderson
Company Secretary