



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

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Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

Commencement of 2007 drilling in Thailand
NS-3 Appraisal Well

On 31 March 2007 drilling operations commenced on the NS-3 well in Thailand with the Aztec Rig 7. It is anticipated that the well will take 12 days to drill to total depth.

The NS-3 well is an appraisal of a previous oil discovery at a depth of between 950 and 975 metres in a fractured volcanic reservoir at Na Sanun-1 (NS-1) drilled in 1994 where oil was tested at a flow rate of up to 1,400 bopd for a short period before suddenly watering out. From a cement bond log run in the well, it is apparent that the cementing operations were not successful, with no cement bond over an interval of 466 metres, from which it is interpreted that the early watering out of the well may not be a valid test of the oil potential of the reservoir. The NS-3 appraisal well is located approximately 1.4 kilometres to the south of the Na Sanun-1 well.

The Na Sanun discovery is situated in a separate down faulted structure to the POE-9 oil discovery well (Na Sanun East Oil Field) drilled at the end of last year's Phase 1 drilling programme of 8 wells. POE-9 continues to perform well on an extended production test confirming the good reservoir potential of these fractured volcanics.

If NS-3 is successful the well will be immediately put on production and further wells planned to evaluate the extent and potential of the Na Sanun discovery will be drilled this year.

A second contracted drilling rig, Aztec Rig 14 is anticipated to commence drilling in late April commencing with the appraisal and initial development of the Na Sanun East Oil Field surrounding the POE-9 discovery well. The two rigs will be drilling continuously for the remainder of 2007 and into 2008.

Yours faithfully,
Carnarvon Petroleum Limited

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