



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

31 July 2006

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

Dear Sirs,

POE-2 SUCCESSFULLY DRILLED
OIL RESERVOIRS INTERSECTED AT TWO LEVELS

Carnarvon Petroleum Limited (“**Carnarvon**”) is pleased to announce that the POE-2 development well, located within the Wichian Buri Oil Field, onshore central Thailand, has been successfully drilled, logged and cased ready for production testing. The POE-2 well is the first of a planned 6 well program (“**Phase 1**”) to re-establish meaningful oil production from the field.

The POE-2 well displayed good to very good hydrocarbon shows and elevated mud gas readings while drilling through the F sandstone target and log analysis indicates potential hydrocarbon bearing sandstones of approximately 5.8 meters in net thickness at a depth of approximately 964 metres. The F sandstone is the only currently producing reservoir at the Wichian Buri Oil Field.

Good to very good hydrocarbon shows and elevated mud gas readings were also encountered while drilling through the deeper G sandstone target and log analysis indicates potential hydrocarbon bearing sandstones of approximately 5.6 meters in net thickness in this reservoir at a depth of approximately 1,035 metres. There is no current G sandstone oil production from the Wichian Buri Field and no long term production testing of this zone has been previously carried out to determine if this reservoir could add to oil production. It is planned that this zone will be fully evaluated in the production testing of the Phase 1 wells.

It is also planned that the production testing of all six Phase 1 wells will commence in early September using a smaller and more cost effective service rig for which a letter of intent has been signed with the owner. This smaller rig will allow for extended pump testing of all newly drilled wells for a period of at least 1 month, to establish their potential for commercial production from both the F and G sandstone reservoirs. The rig will then be moved to the existing producing wells for a workover programme with the aim of enhancing their production performance.

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Carnarvon's CEO Ted Jacobson commented "We are delighted with the results of POE-2, the first Phase 1 well. Although we must wait for production testing of this and the other wells in the Phase 1 programme to confirm flow rates of the oil intersected, the log data recorded in the well is encouraging. We are particularly excited by the additional oil reservoirs intersected in the deeper G sandstone. Again, we must wait for production testing to determine if this zone will flow significant amounts of oil, but if successful it could add substantially to the oil reserves and production at Wichian Buri."

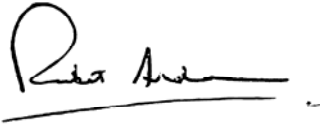
Having completed POE-2, the Aztec #7 rig is currently moving to the POE-1 drilling location, approximately 700 meters north of POE-2.

Permit Holders

Pan Orient (Operator)	60%
Carnarvon Petroleum	40%

Yours faithfully,

Carnarvon Petroleum Limited

A handwritten signature in black ink, appearing to read 'RA Anderson', is written over a horizontal line.

RA Anderson
Company Secretary