



CARNARVON
PETROLEUM
LIMITED
ABN 60 002 688 851

16 October 2006

Company Announcements Office
Australian Stock Exchange Limited

Via ASX Online

Dear Sirs,

PRODUCTION TESTING TO COMMENCE POE-3 DEVELOPMENT WELL COMPLETED

The Phase 1 drilling programme at the Wichian Buri Oil Field, onshore Thailand, commenced on 11 July 2006 and is currently progressing with the completion of drilling and logging of POE-3, the 5th well of the planned 7 well programme.

1. POE-3 Development Well

The POE-3 development well has been drilled to the total depth of 1,206.5 metres and final wireline logging and reservoir pressure testing has been completed. Oil shows were encountered while drilling over a combined interval of approximately 125 meters. Interpretation of open hole logs indicates net hydrocarbon pay of approximately 15 meters in the "F" sandstone, 9 meters in the "G" sandstone and 5.2 meters in the deeper "H" sandstone. The "H" sandstone encountered at POE-3 is interpreted to have very good reservoir characteristics based on log analysis, however, it has not produced oil on the concession to date and will require flow testing to evaluate the oil potential.

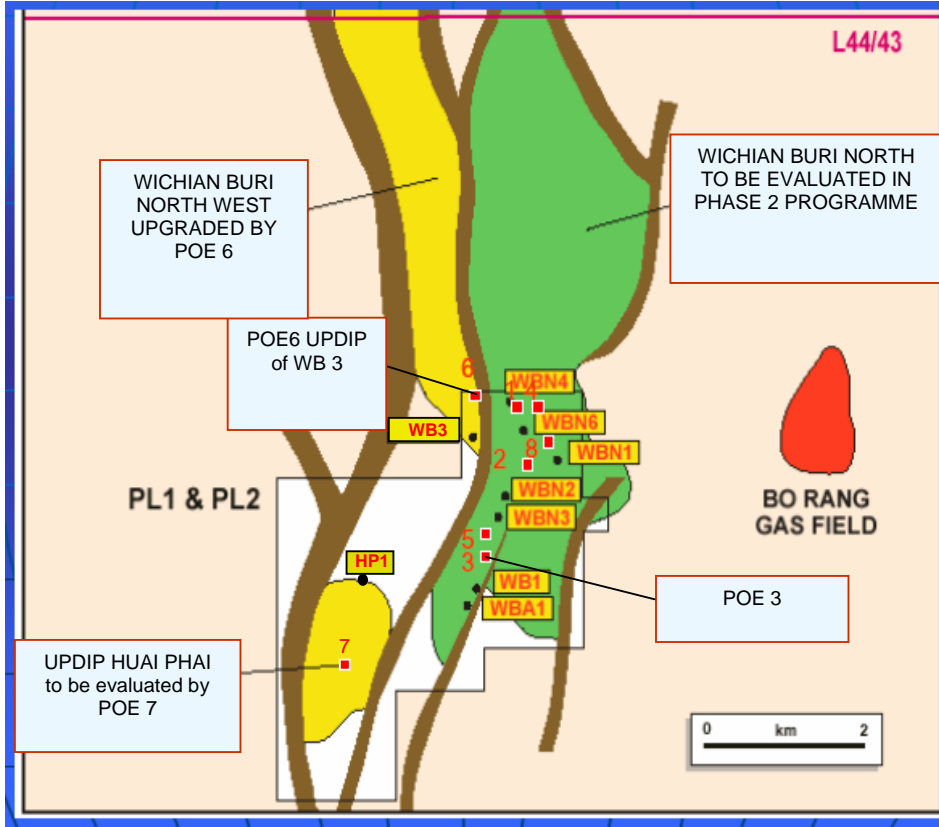
2. Production Testing

After delays related to the air transport of perforating charges into Thailand, testing is expected to commence on October 17, 2006. POE-6 will be the first well tested in the multi-well testing program and results will be announced immediately upon achieving a stabilised production rate.

Carnarvon's CEO, Ted Jacobson commented "We are pleased with the drilling results to date and with the establishment of several potential oil bearing zones, in addition to the primary "F" sandstone target, in all wells drilled. We look forward to the testing programme to evaluate these zones, which is about to commence on the exploration well POE-6. This well was drilled in a separate fault block to the west of the Wichian Buri Oil Field. Good results in this well will have significant impact on the oil reserves and further exploration potential of the greater Wichian Buri area."

Permit Holders

Pan Orient (Operator) 60%
Carnarvon Petroleum 40%



- Oil Field
- Prospective
- Gas Field
- Existing wells
- Phase 1 wells

Figure 1: Location of POE-3 and POE-6

Yours faithfully,

Carnarvon Petroleum Limited

RA Anderson
Company Secretary