



**CARNARVON
PETROLEUM
LIMITED**
ABN 60 002 688 851

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

Market Information Services Section
New Zealand Stock Exchange
Caltex Tower
286 – 292 Lambton Quay
WELLINGTON NZ
Via Email

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Dear Sirs,

SUBJECT: PHASE III UPDATE INCLUDING HUAI PHAI-1 RESULTS

Carnarvon Petroleum wishes to announce the latest results from the Huai Phai exploration well, HP-1, in Thailand. HP-1, the first well of a three well drilling campaign, was to test a potential oil bearing fault block 1.5 km to the west of the existing Wichian Buri oilfield. The next two wells are to be drilled in the Wichian Buri oilfield to increase production, extend the northern boundary of the oilfield, and to enable application to be made for an additional production license.

After initial indications of crude oil both on the electric logs and RFTs, and on production testing, current production from HP-1 is now exclusively water. Whilst oil was encountered, it is unlikely that HP-1 will produce oil at commercial rates. However, it is encouraging that oil was tested and, when coupled with the oil shows in the WBN-5 well to the north in the G Sandstone, and oil recovered on test from the WB-3 well the Huai Phai fault compartment, which is separate from the Wichian Buri oil field, remains a viable exploration play and will be tested in due course. The well also drilled through a thicker F Sandstone sequence confirming expectations of an improvement in reservoir conditions to the west of Wichian Buri Field.

Oil has been encountered in all seven of the wells in which Carnarvon has participated in Thailand and, throughout the basin hydrocarbons have been discovered in all 16 of the valid structures drilled to date demonstrating the extensive presence of oil and the potential of the region.

Meanwhile, plans are well advanced to begin the next stage of the current drilling campaign. The WBN-7 well will be drilled as a horizontal well to extend the northern boundary of the existing Wichian Buri oil field and to allow for application to be made for Production License 3 that will take up the northern portion of exploration license L44/43. The well will be drilled from a site within the existing production licenses and will test the producing F Sandstone some 700 meters north of the WBN-4 well in a location where sandstone development is believed to improve.

WBN-8 will also be drilled as a horizontal well with a number of multilateral completions designed to augment production. The bottom hole locations will be within the producing area of the Wichian Buri field as it is currently defined. The bottom hole locations are effectively in-fill drilling from a single surface site minimizing infrastructure costs and maximizing production from within the producing oil field.

These two wells will be drilled with the Deutag T48 rig used in the successful Phase II drilling campaign. Drilling is likely to take place over a two week period during early February.

Yours faithfully,
CARNARVON PETROLEUM LIMITED

Trevor Irwin
Company Secretary

Enquiries can be directed to: David Orth or Trevor Irwin on 61 3 9225 5400