18th September 2006

Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

OPERATIONS TO PREPARE FOR PRODUCTION TESTING RESUME AT EAGLE NORTH-1 HORIZONTAL WELL, EAGLE OIL POOL PROJECT, SAN JOAQUIN BASIN, CALIFORNIA, USA

Victoria Petroleum NL as operator for the Eagle North-1 horizontal well on the Eagle Oil Pool Development Project in the San Joaquin Basin advises that the deep workover rig arrived on the Eagle North-1 location on Friday 15th September and is currently rigging up with operations commencing Monday 18th September California time.

Prior to the arrival of the work over rig a coiled tubing rig carried out some work over a 36 hour period and established that the tubing conveyed casing perforating guns appeared not to have fired during the first production test.

The operations planned for the work over rig over the next 14 days is to retrieve the production valve and tubing conveyed guns in the horizontal well bore and clean out the well bore in preparation for the running of a new casing perforating gun to test the as yet untested 72 metres of oil pay behind casing in the lower Mary Bellocchi Gatchell sand. The exact timing of the proposed new cased hole test is subject to the results of the current work over operation and the market will be advised accordingly.

The initial production test attempt was being carried out over 177 metres (580 feet) of the lower Mary Bellocchi Gatchell oil sand in the horizontal well bore over the interval from 4,209 – 4,386 metres (13,810 - 14,390 feet).

The interval to be tested consist of the 72 metres (235 feet) of lower Mary Bellocchi Gatchell oil sand cased behind the 4 1/2 inch liner from 4,209 – 4,281 metres (13,810 - 14,045 feet) and the 105 metres (345 feet) of open hole lower Mary Bellochi oil sand from 4,281 – 4,386 metres (14,046 -14,390 feet) extending from the base of the 4 ½ inch liner at 4,386 metres (14,045 feet).

An ASX release on the results of the workover will be made at the completion of the operation.

The lower Gatchell oil sands have produced at rates of up to 223 barrels of oil per day and 0.7 million cubic feet per day from the 12 metre (39 feet) interval of lower Mary Bellocchi sand in the Mary Bellocchi-1 vertical well, 366 metres to the southeast.

A successful Eagle North-1 horizontal well and its subsequent production performance in the longer term will provide an indication of the potential size of the Eagle Oil Pool.

Background History

Eagle North-1 is an appraisal well on the Eagle Oil Pool which was discovered in 1986 by the Mary Bellocchi-1 well which flow tested oil and gas at rates of up to 223 barrels of oil per day and 0.7 million cubic feet per day from the Gatchell Sandstone, the target in Eagle North-1. Victoria Petroleum N.L. was a participant in Mary Bellocchi-1.

The Mary Bellocchi-1 well production rate was considered un-economic at the then prevailing 1986 oil price of US $11 per barrel.

In 2001 the Eagle-1 horizontal well re-entry of the Mary Bellocchi-1 well was successfully drilled into the Gatchell Sandstone oil reservoir but due to technical difficulties encountered while completing the well for production was unable to test the 90 metres of horizontally drilled oil pay.

In May 2004 a 14 kilometre seismic strike line was aquired to further define the updip extent of the Eagle Oil Pool and the Eagle North-1 appraisal well drilling location. As a result of this new seismic data, the Eagle North-1 appraisal well is being drilled 366 metres north west of the Mary Bellocchi-1 well that flowed oil in 1986.

The indicated potential recoverable reserves for the Eagle Oil Pool of up to 34 million barrels of oil and 58 million cubic feet of gas make the Eagle Oil Pool an attractive development target.

Victoria Petroleum NL has a 20% interest in the Eagle Oil Pool Development Project.

Commenting on the resumption of operations at Eagle North-1, Victoria Petroleum NL Managing Director John Kopcheff said;

"Victoria Petroleum is pleased to be resuming operations which should lead to the testing of the good oil shows we have seen in the horizontal well bore behind casing and in the open hole subsequently drilled."

"The good reservoir nature of the target oil sand is indicated by the 'running sand' which made us stop drilling before we had drilled the full 320 metres of horizontal hole in the oil sand. A 'running sand' indicates a loose friable sand which usually means a good reservoir sand"

"Although we have had to wait a little longer than planned to resume operations to prepare for a retest due to equipment and service personnel shortages, we look forward to the successful preparation of the cased well bore for production testing of the horizontal section of 72 metres of the target lower Mary Bellocchi oil sand containing good oil shows."

"We are confident that the horizontal well has accessed the oil sand near the Mary Bellocchi-1 well that produced oil to surface in 1986 but will also test our belief that a horizontal well within the Eagle Oil Pool could see production rates of up to 1000 barrels of oil per day."

"With the oil price higher by a factor of four over late 1986 oil prices, an oil flow of this order is very attractive and provides robust cash flow."

"With the current price of oil around US$60+ per barrel and the price of gas in Southern California in excess of US$6 per thousand cubic feet, a successful appraisal Eagle well and follow on development drilling will provide significant cash flow for the company."

"With our 20% interest in the drilling of the Eagle North-1 appraisal well, a successful result will have a significant impact on Victoria Petroleum NL's position as a growing USA and Australian oil and gas producer."

The participants in the Eagle Oil Pool Development Project and Eagle North-1 through their respective US wholly owned subsidiaries are:

Victoria Petroleum NL (Operator)	**20%**
Empyrean Energy PLC	38.5%
First Australian Resources NL	15%
Lakes Oil NL	15%
Sun Resources NL	10%
Private Interests	1.5%

Victoria Petroleum NL's wholly owned subsidiary Victoria Petroleum USA Inc is the operator for the Eagle North-1 well and the Eagle Oil Pool Development Project.

Yours faithfully,

JOHN KOPCHEFF
MANAGING DIRECTOR
VICTORIA PETROLEUM N.L.

Information in this report was completed by the Managing Director of Victoria Petroleum N.L, J T Kopcheff BSc (Hons Eco.Geol), FAIMM, MAAPG, MSPE, MPESA, with 35 years experience in petroleum geology and geophysics.

For information on Victoria Petroleum N. L. drilling activities visit our website at
www.vicpet.com.au