Thailand Operations Update

08 September 2010

CARNARVON PETROLEUM LTD

RECORD ONSHORE THAILAND FLOW RATE – 5,300 BOPD

Carnarvon Petroleum is pleased to announce that during clean-up flow of the recently completed WBExt-1A well rates averaging 5,300 BOPD gross (2,120 BOPD net) were achieved. The well was flowed during clean-up operations over a 62 hour period and achieved new record rates for an onshore well in Thailand.

The WBExt-1A well is currently shut-in pending approval from the Department of Mineral Fuels ("DMF") in Thailand of a 90 day production test, during which time crude from the well can be produced and sold. The WBExt-1B well, further appraisal of the WBExt-1 discovery, has encountered the top of the WBExt-1 volcanic and will be completed for testing.

The WBExt-1 well is flowing under test at a rate of around 3,500 BOPD. To date around 90,000 bbls of oil have been produced from this well since the production test commenced on 9 August.

The previous record rate for production from a single well for onshore Thailand was held by a well drilled within the NSE Central oil field by the same JV partners. That well, L44H-D1, achieved initial rates of around 3,900 BOPD and is still producing at a rate of around 400 BOPD. Total production from this well since December 2007 has been greater than 1.5 million bbls of oil.

CARNARVON COMMENT

Carnarvon's CEO, Mr Ted Jacobson, commented:

"The welcome success from the last four wells has again confirmed the excellent potential from this extremely oily basin. Several new fields have been discovered adding to the suite already on production, boosting production rates significantly whilst extending production into the L33 permit."

Well	Rate	Comment
L33-1	1,100	Shut-in pending production licence ("PL") approval
L33-2	2,370	Shut-in pending PL approval
WBExt-1	3,530	Commence 90 day test on 9 August 2010
WBExt-1A	5,000	Shut-in pending 90 day test approval
WBExt-1B		Drilling ahead
Other Production	3,000	Production from all other wells in field
Capacity	**15,000**	**Total Deliverability**

WBExt-1A clean up flow test of 5,300 BOPD

WBExt-1B to be tested after encountering volcanics

WBExt-1 flowing under 90 day test at rates around 3,500 BOPD

Field capacity of 15,000 BOPD gross (6,000 BOPD net to CVN)

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WBEXT-1A Exploration / Appraisal Well (Wichian Buri Extension Field)

The WBEXT-1A well free flowed oil from a new lower volcanic reservoir at an average rate of 5,300 barrels of oil per day gross (2,120 BOPD net CVN) of 36 degree API crude, with no water and a stable, final flowing bottom hole pressure of 1,425 psia in the last 48 hours of a 62 hour test. The high flowing bottom hole pressure at these high production rates is very encouraging. This is the highest oil flow rate of any well ever drilled onshore Thailand.

WBEXT-1A is currently shut-in due to limited tank storage capacity and will be brought back on production at approximately 5,000 BOPD gross (3,000 BOPD net POE) upon the approval for a 90 day production test by the Thailand Department of Mineral Fuels, anticipated this week. While the 90 day production test is underway, additional appraisal wells will be drilled and a production license application for the WBEXT Field will be submitted to the Thailand Department of Mineral Fuels in September. Historically, the approval of production license applications takes approximately 90 days from application submission to approval.

The WBEXT-1A exploration / appraisal well was drilled from the same well pad as the WBEXT-1 exploration well which discovered oil an upper volcanic reservoir. While drilling the WBEXT-1A well, there were 100 metres of oil shows and elevated mud gas readings while drilling through this upper volcanic reservoir discovered with the WBEXT-1 well (WBV1 volcanic reservoir), but drilling fluid losses were not encountered. As a result, high flow rates from the upper volcanic reservoir were not certain at this location and the decision was made to continue drilling to a deeper volcanic target (WBV2 volcanic reservoir) identified on 3D seismic data. This lower volcanic zone is approximately 200 meters deeper than the upper volcanic target and was first targeted unsuccessfully by the WB-1DEEP exploration well located 5.2 kilometres south of the WBEXT-1A subsurface location. The WBV2 volcanic reservoir was intersected at a depth of 1,023 metres true vertical depth (TVD), 500 metres structurally higher than in the prior WB-1DEEP well. Oil shows and highly elevated mud gas readings were observed while drilling the shale section above the WBV2 volcanic reservoir target and drilling fluid losses totalling approximately 858 barrels were observed while drilling the upper six meters of the target zone, indicating excellent permeability.

The WBV1 and WBV2 volcanic reservoirs discovered by the WBEXT-1 and WBEXT-1A wells in Concession L44 are located in a highly faulted complex of possibly separate compartments that include the compartments proven oil bearing in Concession L33 with the L33-1 and L33-2 exploration wells. This structural complex is located within a large, regional structural high at the northern end of the Wichian Buri sub-basin, a location that is the natural focal point for the migration of hydrocarbons generated to the south. The complex is a maximum of 30 square kilometres in areal extent at the WBV1 volcanic reservoir level and slightly smaller at the WBV2 volcanic reservoir level. There are nine separate fault compartments at the WBV1 volcanic reservoir level, three of which have been successfully tested by the L33-1, L33-2 and WBEXT-1 exploration wells. There are four separate fault compartments at the WBV2 volcanic reservoir level, one of which has now been tested successfully by the WBEXT-1A well. A deeper, third potential volcanic reservoir (WBV3) has been identified on 3D seismic and will be the primary objective of a future well.

At this time, the Operator, Pan Orient has not determined: 1) the thickness distribution of the WBV1 and WBV2 volcanic reservoirs, 2) if all the fault compartments are hydrocarbon charged at one or all levels, or 3) the depth of the oil / water contacts in each compartment. It is interpreted that the WBV1 and WBV2 volcanic reservoirs are separate pools based on inferred oil / water contacts from offsetting well information. The drilling success rate of the last four wells targeting this structural complex is remarkable at this early stage of development/appraisal.

All the unknowns result in a considerable range of recoverable crude oil resource estimates for the discoveries and the focus of further drilling will be to obtain as much information as possible to better define the size of these discoveries going into year-end 2010. At least eight additional appraisal wells will be required to determine the full extent of the accumulations.

WBEXT-1B Exploration / Appraisal Well (Wichian Buri Extension Field)

The WBEXT-1B well is currently drilling from a surface pad adjacent to the previous two WBEXT wells with the objectives of: a) logging the shallow sandstone zones, and b) establishing a minimum oil column in the WBV1 volcanic reservoir.

The WBEXT-1B well completed logging and the setting of intermediate casing to a TVD depth of 647 metres. Four potential sandstone reservoirs were encountered between 400 metres to 600 metres TVD, exhibiting oil shows and elevated mud gas readings while drilling. Wire line logs were obtained to the upper 12 metres of the 32 metre thick deepest sand (the F sand) before logging was terminated due to a down-hole obstruction resulting in log coverage of only the upper 1/3 of the F sand. Logging indicated potentially oil bearing net sand of approximately 12.3 metres measured thickness (8.8 metres true vertical thickness) with an average of 23% porosity. It is premature at this time to estimate any potential hydrocarbon volume or flow rates from these potential sandstone reservoirs, but testing of these intervals is planned to take place in this well or an offsetting well prior to year end in order to confirm potential reserves.

The well is currently logging at 891 metres TVD after tagging the uppermost 1 metre of the primary WBV1 volcanic objective that came in 22 metres high to prognosis and 100 metres lower than the top of the WBV1 volcanic at the WBEXT-1 discovery well. Drilling fluid losses of 50 barrels per hour, indicating excellent permeability, were observed after encountering the top of the volcanic target and oil shows were observed over a 30 metre interval while drilling through fractured shale overlying the target.

Upon the completion of logging, casing will be set and the well is planned to continue drilling through the entire WBV1 volcanic zone in order to determine the thickness of this reservoir for reserves and future development planning purposes. Drilling is anticipated to be completed in the next three to four days at which time the well will be tested and results announced shortly thereafter.

WBEXT-1 Exploration Well (Wichian Buri Extension Field) Production Update

WBEXT-1, the WBV1 reservoir discovery well, is currently producing at a rate of 3,579 BOPD gross (1,432 BOPD net CVN) with no water and a flowing bottom hole pressure (FBHP) of 1,220 psia, with the high FBHP indicating the reservoir is over pressured. Production performance was, and continues to be exceptional.

Permit Equity - *L33, L44 and SW1A*

Pan Orient Energy (TSX:POE):	60% and Operator
Carnarvon Petroleum (ASX:CVN):	40%