

L44/43 and L33/43 Operations Update

7th January 2011



Onshore Thailand Concessions – Carnarvon 40%

Summary

Three wells drilled in late 2010 (WBEExt-2AST1, WBEExt-3 and WBEExt-4) targeting the volcanics at the Wichian Buri Extension field were tested over the past month with sub-commercial results. Two of these wells will be recompleted and tested at the sandstone level, while a third has been sidetracked.

Two wells were drilled simultaneously over the past month (WBEExt-4AST1 and WBEExt-1D) using two rigs and these are waiting to be tested.

Recompletion and testing work will commence within the next few days when the service rig becomes available.

A significant production well, WBEExt-1C, was producing stable oil at 3,400 bopd with no water cut until the morning of 5 January at which time water breakthrough resulted in a decline to 2,300 bopd.

The L33-2 well, initially producing at 2,500 bopd, was shut-in recently in anticipation of sidetracking to test the WBV-1 volcanic in the L33 concession in an area defined as a prospective resource. This sidetrack is anticipated to commence in the next few days.

Due to decreased production from the above two wells and shut-in of wells because of reaching the end of test periods, field production rates have declined to around 4,700 bopd.

Net production to Carnarvon is in the order of 1,900 bopd.

Near term production increases are anticipated from the testing of the recently completed wells and also from recompletion of late 2010 exploration wells into the sandstone reservoirs predicted by logging responses.

Further details on the above wells are detailed below.

Two wells ready to test

- WBEExt-4AST1 well suspended waiting to be tested

- WBEExt-1D suspended with multiple potential test zones

WBEExt-2AST1 did not flow on test from WBV-3 volcanic

WBEExt-3 did not flow on test from WBV-1 but will be tested in sandstone

WBEExt-4 tested at 40 bopd with low API oil

L33-2ST1 to spud next

2 Rigs planned for late 1st Quarter

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Concession L44/43 – Carnarvon 40%

WBEXT-2AST1 Appraisal Well (Wichian Buri Extension Field)

The WBEXT-2AST1 well was a sidetrack of the original WBEXT-2A well and was designed to test the unproven WBV3 volcanic at a more favourable subsurface location in close proximity to a large fault. The target WBV3 volcanic was encountered at a depth of 1,510 metres true vertical depth (“TVD”) and the drilling terminated after penetrating the top 10 metres of volcanic with minor drilling fluid losses of 15-20 barrels per hour and oil shows. Despite the apparent permeability inferred from the minor drilling fluid losses, the zone quickly pumped off on test indicating the zone was tight.

WBEXT-3 Appraisal Well (Wichian Buri Extension Field)

The WBEXT-3 well was drilled from a surface location approximately two kilometres northeast of the WBEXT-1 surface location and was targeting various volcanic and sandstone intervals equivalent to those found to be hydrocarbon-bearing in wells drilled from the WBEXT-1 drilling pad in the fault compartment immediately adjacent to the west. The WBV1 volcanic was encountered at a depth of 800 metres TVD and total drilling fluid losses around this depth were observed. Testing resulted in no flow (tight reservoir) and subsequent post drill and test analysis suggests the permeable loss zone was a fault encountered just above the volcanic interval that is behind casing. A shallow sandstone interval at 460 metres TVD that exhibited good oil shows while drilling and was interpreted on wire logs as 8 metres of potential net pay will be tested when the service rig becomes available.

WBEXT-4 Appraisal Well (Wichian Buri Extension Field)

The WBEXT-4 well was drilled from a surface pad approximately 1 kilometre north of the WBEXT-1 surface pad and 300 metres south of the L33/L44 concession boundary. At approximately 414 metres TVD the well encountered very good oil and gas shows within a sandstone approximately 14 metres thick and located within what is designated as fault compartment II. The decision was made to stop drilling and test the zone which resulted in an initial rate of 40 bopd of 22 API degree oil and a water cut of approximately 12%, mainly load fluid. Subsequently, the fluid rate dropped and the well has been shut-in for observation to allow the fluid level to rise. It is suspected that the low API degree, waxy crude at this shallow depth (low temperature) is highly viscous under reservoir conditions resulting in the low fluid influx.

Fault compartment II was located due west of fault compartment I which had been proven oil-bearing by the WBEXT-1B well. With fault compartment II, now shown to be oil-bearing by the WBEXT-4 well, future wells will target this sand at a deeper depth where the oil is anticipated to be less viscous.

WBEXT-4AST1 Exploration Well (Wichian Buri Extension Field)

WBEXT-4ST1 was drilled to a depth of 1,217 metres TVD targeting the as yet unproven WBV3 volcanic. The well encountered the top of the target volcanic at a depth of 1,194 metres TVD and penetrated 18 metres of volcanic section with no oil shows or drilling fluid losses observed (likely low permeability) while drilling. Subsequent wire line logging confirmed the zone to be tight. The well is currently suspended while a decision is made on which of two potential shallower zones to test when the service rig is available.

WBEXT-1D Appraisal Well (Wichian Buri Extension Field)

The WBEXT-1D well was drilled due east of the WBEXT-1 well pad with the primary objective of testing the multiple oil-bearing sandstones encountered in the WBEXT-1B well at a subsurface location approximately 400 metres to the south. Drilling was terminated at a depth of 700 metres TVD after encountering good to excellent oil shows over 12 separate sandstone intervals between 421 and 700 metres. Drilling fluid losses of 250 barrels in one sandstone interval indicate high permeability. Wire line log data was only achieved over the interval of 583 to 596 metres due to unstable wellbore conditions in this highly deviated well. Testing of multiple zones is anticipated to commence when the service rig returns to the field in approximately three days.

Concession L33/43 – Carnarvon Petroleum 40%

L33-2ST1 Appraisal Well (Wichian Buri Extension Field)

The L33-2ST1 appraisal well will be targeting the WBV1 volcanic at a subsurface location that is 682 metres north east and 40 metres up structure from the WBV1 volcanic at L33-2. The target region is in an area that is currently defined as prospective resources in Gaffney Cline and Associates' recent third party resource report that was part of the L33 production license application. The well is anticipated to commence drilling in the next 1-2 days.

Concessions L33/43, L44/43 (Carnarvon 40%) and L20/50 (Carnarvon 50%)

Production

Carnarvon's current Thailand production is approximately 1,900 barrels of oil per day (net). An additional approximately 1,200 barrels of oil per day (net) is currently shut in at WBEXT-1A, WBEXT-1 and WBEXT-1B, until the award of a production license by the Thailand Department of Mineral Fuels ("DMF"), which is anticipated within the next 45 days. Production at year end was below expected 2010 exit rates.

Production has been negatively impacted by:

- 1) the initial water cut increase observed at WBEXT-1C on the morning of January 5, 2011 and resulting reduction of production from this well from 3,400 barrels of oil per day (gross) to approximately 2,300 barrels oil per day (gross),
- 2) shut-in of L33-2 in anticipation of sidetrack,
- 3) delays in testing wells drilled in December 2010 due to the service rig being unavailable, and
- 4) disappointing results from exploration wells targeting the unproven WBV3 reservoir in December 2010.

Forward Program

Meaningful near term positive results are anticipated from the testing of multiple sandstone reservoirs encountered at WBEXT-1D. In addition the L33-2ST1 sidetrack in concession L33/43 will be drilled targeting the WBV-1 volcanic approximately 40 metres high to the L33-2 discovery and a second rig is being mobilised to the high impact L20/50 exploration wells. Operations are anticipated to commence within concession L20/50 within the next few weeks.

In 2010 Pan Orient, as operator of the L44/43 and L33/43 JVs, had contracted one drilling rig through the course of the year. In late December 2010 Pan Orient contracted a second rig to be used in POE's 100%-owned block L53 for several wells. Prior to commencing on the L53 licence, the rig was used to drill one well on L44/43. Upon completion of L53 drilling, it is anticipated the rig will return to concession L44/43 resulting in two rigs operating on concessions L33/43 and L44/43 commencing late in the first quarter of 2011 and perhaps continuing for the entire year, subject to final 2011 budget approval by the JV.

In the Carnarvon operated L20/50 JV, a third rig is being utilised for a 2-3 well exploration program commencing mid-January.

Carnarvon's exploration and development location drilling inventory in Thailand is high quality and large. With the utilisation of up to three drilling rigs across the two joint ventures in Thailand, production growth can be accelerated. Thailand development activities, in combination with the drilling of up to three high impact exploration wells, will make 2011 an active year for Carnarvon,