

17 January 2011

## **OIL DRILLING CAMPAIGN ON TRACK TO COMMENCE IN FEBRUARY 2011 IN SPITE OF QUEENSLAND FLOODS**

**Following the receipt of the required approvals from the South Australian Government, Victoria Petroleum has commenced construction of an alternative access road to its Growler oil field in the South Australian Cooper Basin.**

All activity in the Growler oil field on the Western Margin of the Cooper Basin ceased in February 2010 when a one in 40 year flood event cut off existing access routes.

The construction of the alternative access route will enable Victoria Petroleum to recommence oil production from the Growler field and embark on an aggressive exploration and development program that will target a significant reserves increase

Victoria Petroleum commenced construction of the access route on 7 January 2011 and has to date cleared 18 km of track to reach the Tingilpie Crossing of the Cooper Creek. To cross the Cooper Creek, more than 200 culverts will be installed. Delivery of these culverts has already commenced.

The Western Margin of the Cooper Basin has been subject to localised rain events, however has not been impacted to date by the recent rain events in Queensland.

In anticipation of localised rain, fabrication work on the culverts is being carried out in Adelaide, with stand-by additional equipment being brought to bear as required in line with the Company's project execution plan.

"By continuing fabrication offsite and applying additional resources we are confident of achieving our schedule," Managing Director, Ian Davies said.

"Regaining access to the Growler vicinity is critical to accomplishing our mid-year objectives of 1500 barrels of oil per day, and net proved and probable reserves (2P) of more than 4.5 million barrels of oil. We will continue to focus the required resources to re-establish access," he said.

The Company expects to regain full access to the Growler oil field in February 2011 for several weeks before the next flood surge, which is likely to be exacerbated by the Queensland rain events.

In this time, earth moving machinery, as well as an additional drilling rig and associated equipment will be moved to site. This will enable the 2011 drilling campaign to commence immediately and for work to continue for up to six weeks at a time should access to the site be temporarily suspended. Further, the location and design of this access road will also enable a rapid return to operations and traffic following any subsequent inundation.

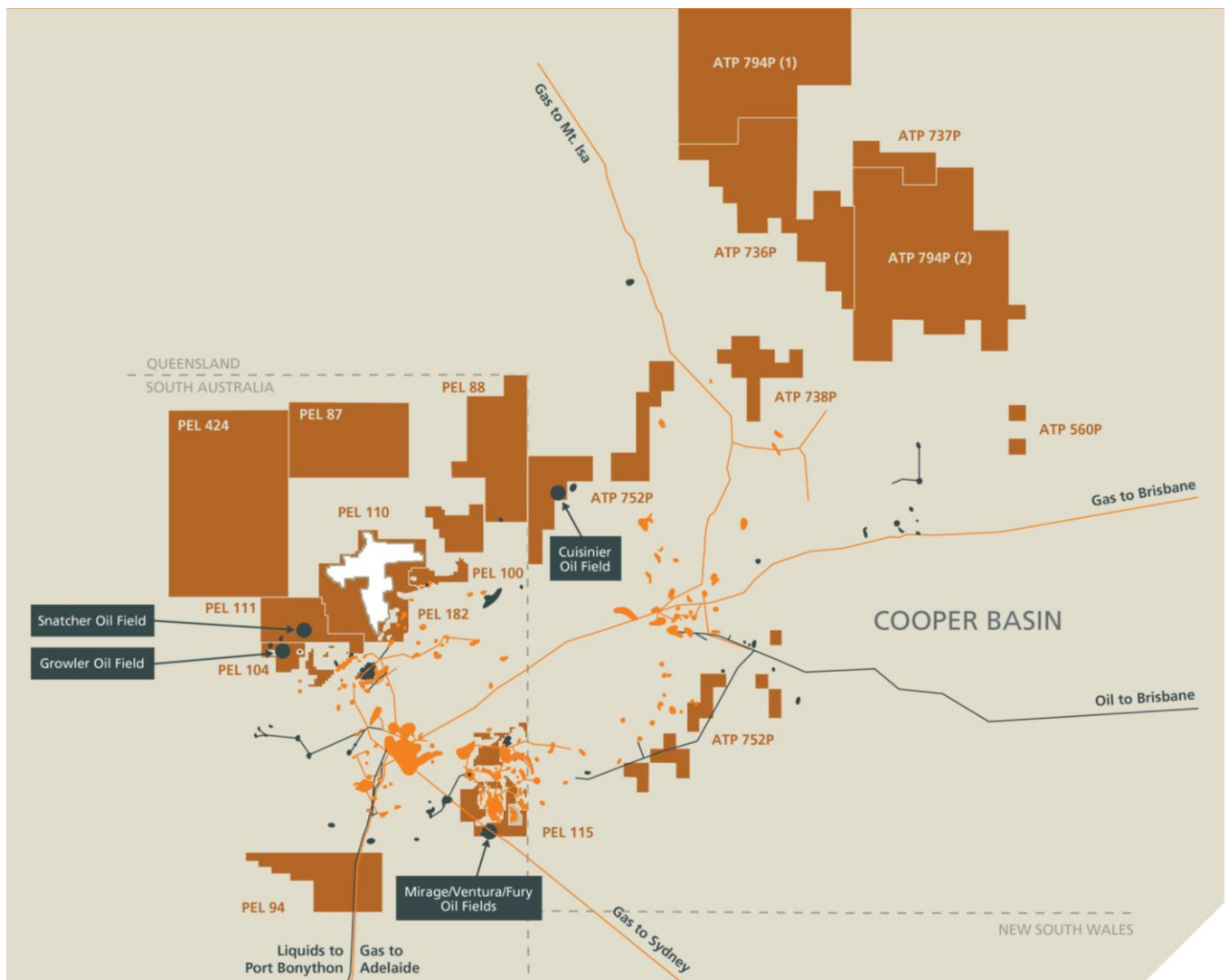
It is still too early to assess the impact of the recent Queensland rain events on our coal seam gas exploration and appraisal programme in the Surat Basin, however an update will be provided when advised by the Operator of these permits.

Victoria Petroleum holds a 60% joint venture interest in the Growler oil field and is the Operator. The remaining 40% joint venture interest is held by Impress Energy Limited. Victoria Petroleum also currently holds a 20% relevant interest in Impress Energy Limited.

### For further information contact

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### Victoria Petroleum Oil Permits



### Competent Person Statement

Information for this report was compiled by J T Kopcheff BSc (Hons Eco. Geol), FAIMM, MAAPG, MSPE, MPESA, with 38 years' experience in petroleum geology and geophysics.