

# Thailand Operations Update

10 January 2012



Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide shareholders with an update on operations in the L33/43, L44/43 and SW1A concessions onshore Thailand (Carnarvon has a 40% equity interest) covering:-

1. Continued success in trials of the Inflow Control Devices;
2. WBEXT sandstone development program expected to commence in February 2012;
3. December 2011 quarter production averaged 954 bopd net to Carnarvon; and
4. Current production rates are ~1,150 bopd net to Carnarvon.

## Technology continued success

The joint venture is continuing the trials of the Inflow Control Devices (ICD) as outlined in the previous operations update of 25 November 2011.

To date ICD's have been installed in a total of four wells, with each well producing in excess of pre-ICD rates.

The BR-1RDST1 pilot well results continue to encourage with current production steady and performing at around 100% above previous rates. Cumulative production from this well has exceeded 7,500 bbls since the initial ICD was installed in November 2011. Notwithstanding these positive results, the in-field operations team continues to experiment with different downhole configurations and pump sizes in order to achieve optimal production as part of the pilot program.

The L44V2-ST2 well ICD recompletion was the second in the trial program and is currently producing oil at 88 BOPD gross (35 BOPD net to Carnarvon) from the Bo Rang "A2" volcanic reservoir. This is also a 100% increase in oil production from pre-ICD rates.

A third ICD was also installed in the recently drilled NSE-F5 well (see Drilling Results below) and oil rates have increased materially since the recompletion.

A fourth ICD has been installed in the L44W4-ST1 well and after only a few days testing has resulted in an increase in oil rates.

The joint venture continues to be encouraged by the ICD results and is actively reviewing options to optimize their downhole configuration. While additional active wells have been recognized as potential candidates for the implementation of the ICD technology, in the near term the joint venture intends to concentrate trials of the ICD in newly drilled horizontal volcanic appraisal wells.

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The anticipated environmental approvals for the targeted sandstone development program around the WBEXT “E” and “D” sandstones have been delayed. Environmental approval and commencement of the development program is now anticipated in February 2012. At least three sandstone exploration targets in close proximity to the WBEXT reservoir area are also planned to be drilled in 2012 and these exploration well locations are covered by the environmental approval referred to above.

## Thailand Drilling Update

### NSE-F9 Appraisal well

The NSE-F9 appraisal well, drilled in the eastern portion of the NSE-F1 field has recovered 38 degree API oil with minimal water at sub-commercial rates. The well did not encounter extensive fracturing needed to flow oil and will be sidetracked at a future date.

### BR-4ST2 Appraisal Well

The BR-4D1ST2 appraisal well, targeting the eastern limit of the Bo Rang A1 volcanic reservoir, also did not encounter extensive fracturing above the known field oil/water contact. The existing wellbore will be used for a future horizontal well targeting the same A1 volcanic zone.

### NSE-F5 Appraisal Well

The NSE-F5 appraisal well was initially drilled and put on test prior to running an ICD recompletion. The well is currently producing oil at 706 BOPD gross (282 BOPD net to Carnarvon) from the NSE-F1 volcanic reservoir.

### L44VD1ST2 Appraisal Well

The L44VD1ST2 appraisal well is currently drilling ahead just above the Bo Rang “A2” volcanic objective. Drilling is anticipated to be completed within the next five days.

## Thailand Production

Thailand production is currently 2,850 BOPD gross (1,140 net to Carnarvon) with an additional approximately 100 BOPD shut-in at the NSE-F6 well. This well is being prepared for the drilling rig to extend the horizontal section of the well bore. Production increases from current levels are anticipated in 2012 from commencement of the sandstone development program, successful volcanic appraisal wells and from continued workovers and ICD installations.

## 2012 Work Program and Budget

The 2012 work program and budget for Carnarvon's L33/43, L44/43 and SW1A assets is based on the drilling of 31 wells incorporating 16 sandstone development wells, nine volcanic appraisal wells across a range of fields and six exploration wells (targeting a mix of volcanic and sandstone reservoirs). The net cost to Carnarvon for this program is anticipated to be around \$18 million. These costs are expected to be fully funded from operational cash flows derived from the L33/43, L44/43 and SW1A assets.

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Yours faithfully



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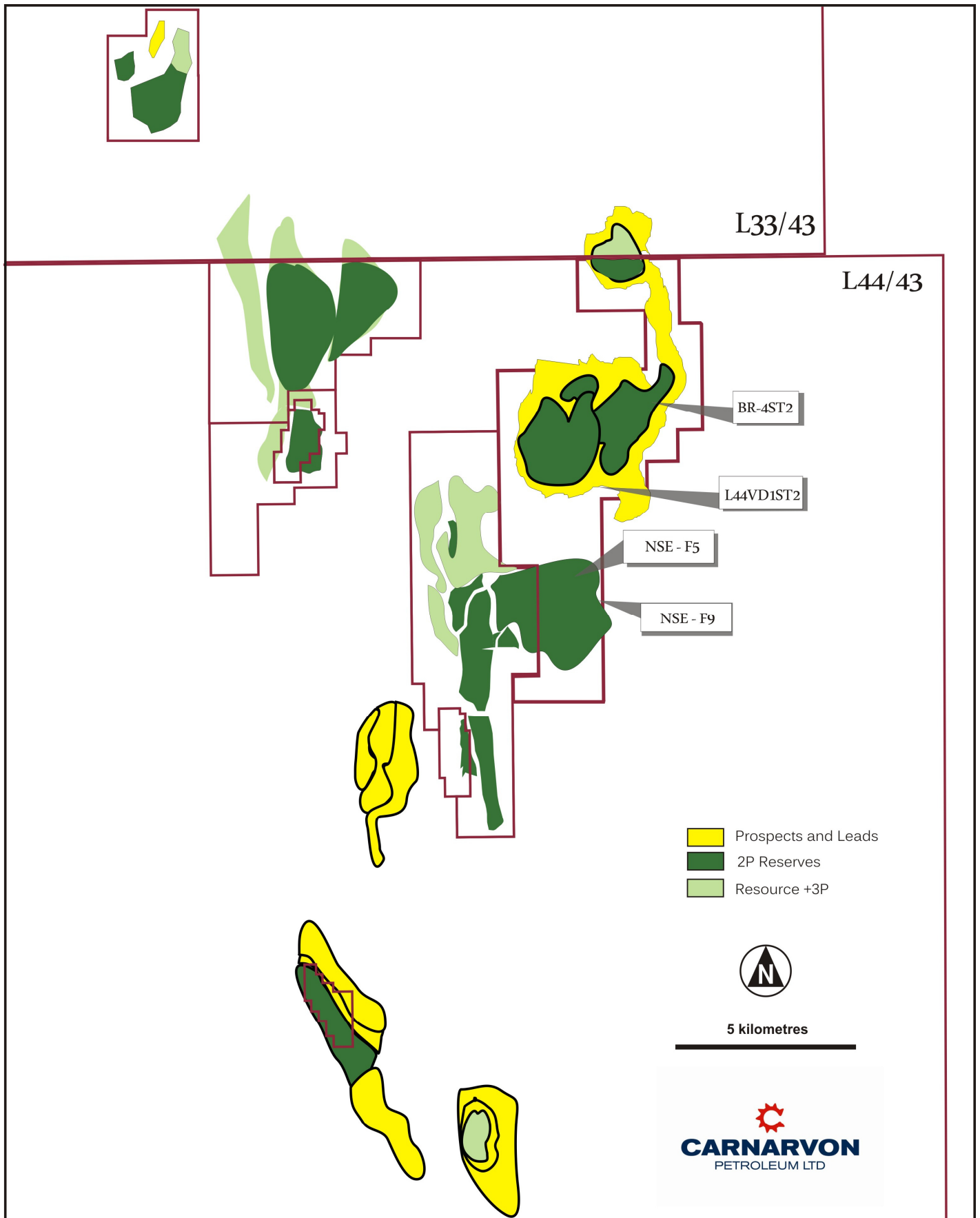


Figure 1: Approximate location of wells onshore Thailand in L33/43 and L44/43 permits.