

Phoenix South-1 Well Spud

27 May 2014



ASX ANNOUNCEMENT

Highlights

- Phoenix South-1 well spud on 25 May 2014
- Drilling is expected to take approximately 60-70 days
- Total depth is 4,500m but could extend to ~5,000m if gas is detected below 4,500m
- Plan is to plug and abandon the well after completing all testing activities as per standard industry practices
- Testing activities will include collecting gas and reservoir rock samples
- Well outcomes are expected to be advised after analysis of gas and core samples

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to advise that the Atwood Eagle semi-submersible drilling rig has commenced drilling operations at the Phoenix South-1 well within WA-435-P on the North West Shelf of Western Australia. The approximate location for the Phoenix South-1 well is shown in Figure 1.

Drilling is expected to continue for approximately 60-70 days which includes time for logging and testing. Total depth is scheduled to reach a minimum of 4,500m, but could extend to 5,000m depending on the presence of gas below 4,500m.

Managing Director Adrian Cook said, "We're pleased to have now spud the Phoenix South-1 well and look forward to the results in due course. This well has the potential to be a significant value driver for Carnarvon, but for now we are focused on supporting the Operator, Apache, and continuing with our business of securing new opportunities and sustaining oil production from our assets in Thailand."

Scheduled announcements

The Company's next scheduled announcement will occur after the 9^{5/8}" casing has been set in approximately 25 days' time.

Further scheduled announcements are planned as follows:

- Drilling reaching total well depth;
- Initial results of logging and testing;
- Well plug and abandon; and
- Gas and core analysis sample results.

The Company plans to release well results as determined by the Operator, subject to the Company's compliance with ASX Listing Rule and legal obligations. In the event that logs and other tests require further clarification, a conclusive result may not be available until after core analysis, anticipated to be six to eight weeks after the well has been completed.

Well Status

As at 24:00 hours on 25th May 2014, the Operator had drilled the conductor hole to 228.2 meters and had run and cemented the conductor (30").

Well Detail

The primary target for the Phoenix South-1 well is the interbedded sandstones, siltstones and claystones of the Early to Middle Triassic Lower Keraudren Formation and underlying Locker Shale, commencing at an approximate depth of 3,600m.

Two of these sandstone packages were gas-bearing in the Phoenix-1 well, some 13km to the North of the Phoenix South-1 location. It is considered likely that multiple reservoir/seal pairs will be intersected throughout this well.

Extensive wireline logging and both pressure and fluid sampling are planned if hydrocarbons are intersected, as well as a collection of reservoir core samples. The Joint Venture intends to plug and abandon the well in accordance with normal good oilfield practice regardless of the drilling outcome.

Figures 2 and 3 display seismic sections that intersect the proposed Phoenix South-1 well location, showing the fault-bound closure at multiple levels. The seismic lines are the primary method for interpreting the downhole geology.

The forward plan is to drill down to just above the primary target and set casing. These operations are anticipated to take around one month.

In addition to the above, Carnarvon considers there to be additional potential in the Early Jurassic North Rankin and Late Triassic Upper Keraudren Formations, above the Middle Triassic Cossigny Limestone. Reservoir quality sands were intersected in these formations in the Phoenix-1 and Phoenix-2 wells. These formations will be drilled within closure in the Phoenix South-1 well. These sands were not hydrocarbon bearing in the previous Phoenix wells due to them being interpreted to have been out of closure.

Equity holders

The equity interest holders (upon satisfaction of the farm in agreement terms) are:

Carnarvon Petroleum	20%
Apache Energy (Operator)	40%
JX Nippon	20%
Finder Exploration	20%

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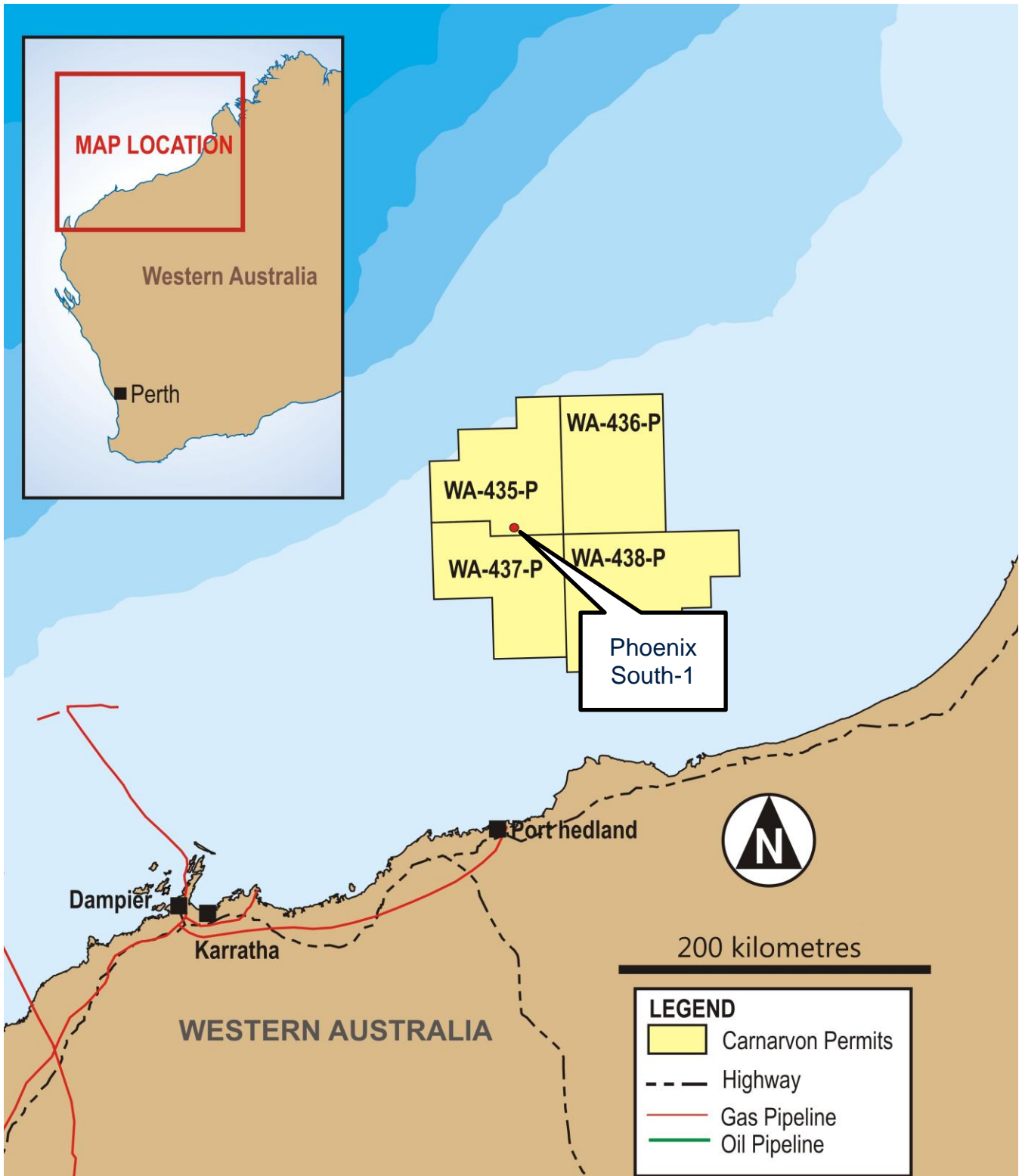
Yours faithfully



Adrian Cook

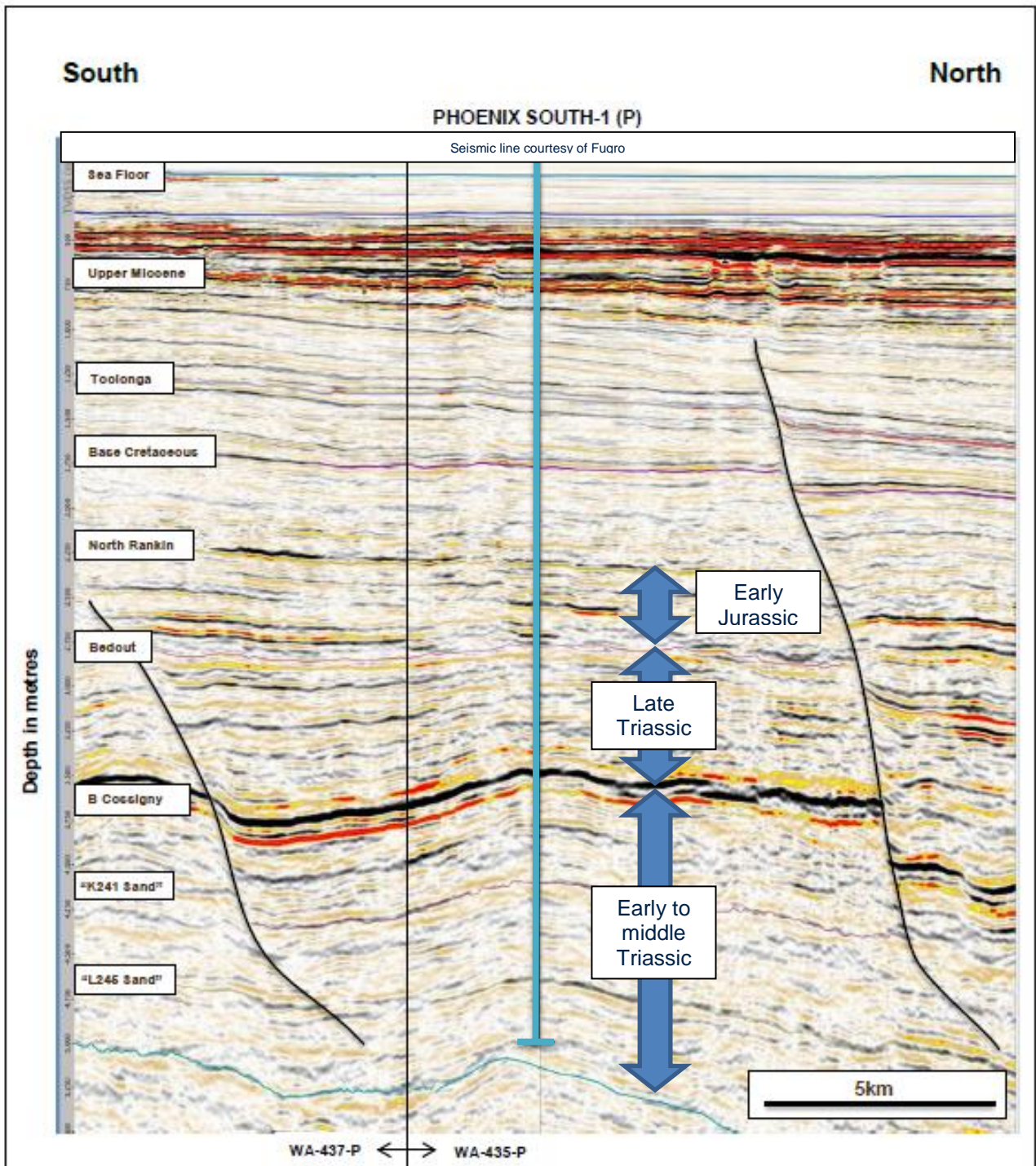
Managing Director

Carnarvon Petroleum



Phoenix South-1 drilling location

Figure 1

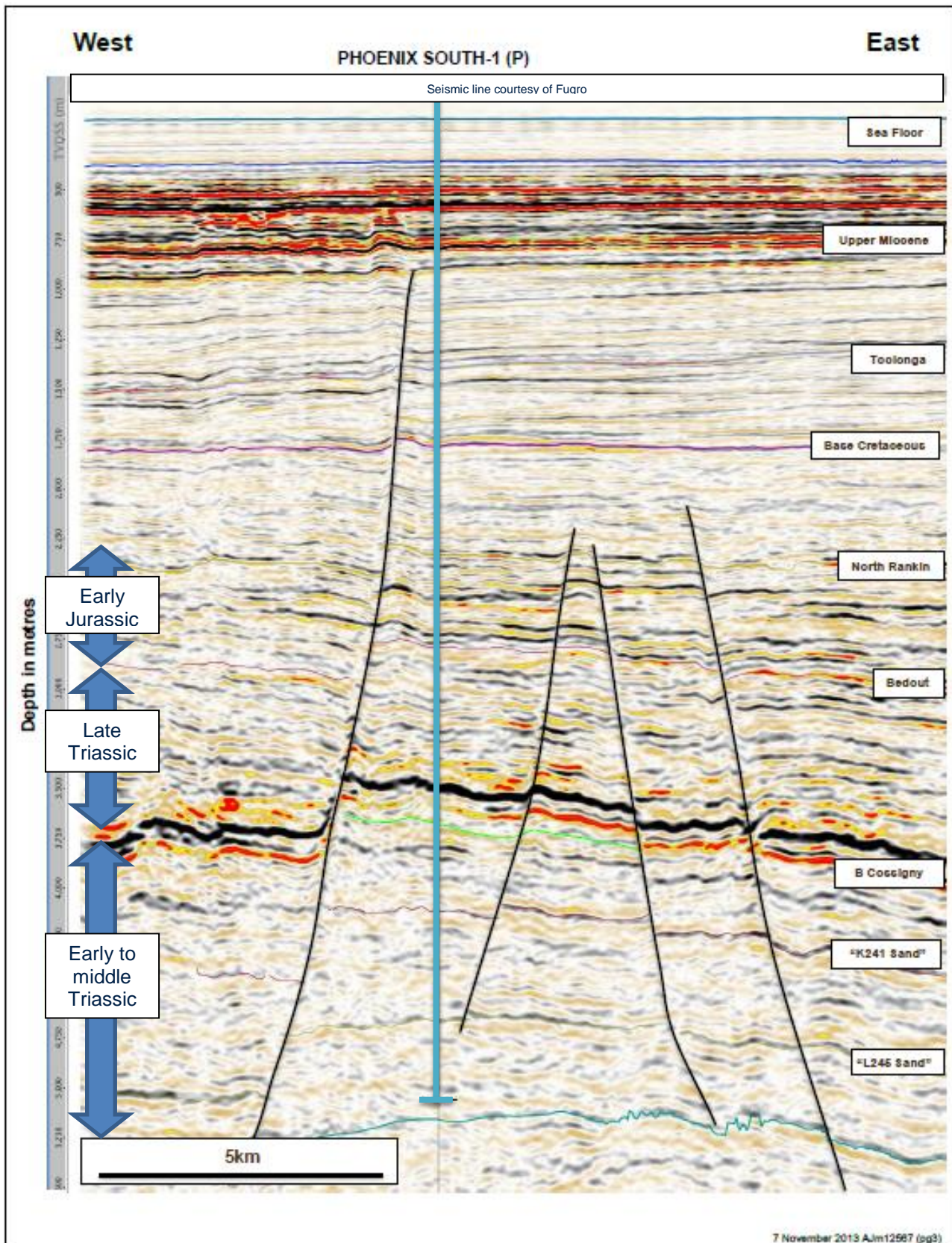


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**3D SEISMIC INLINE 1282
ACROSS THE PHOENIX SOUTH-1 WELL (IN DEPTH)**

Figure 2



**3D SEISMIC CROSSLINE 3101
ACROSS THE PHOENIX SOUTH-1 WELL (IN DEPTH)**

Figure 3