



## **MALOLOS-1 WORKOVER PROGRAMME GETS UNDERWAY**

### **SERVICE CONTRACT 44, PHILIPPINES 16<sup>th</sup> March, 2010**

#### **WORKOVER SUMMARY**

The Company is pleased to provide the following update on the Malolos-1 workover being conducted in Service Contract ("SC") 44, onshore Cebu Island, Philippines in which it has a 100% interest:

- Additional workover equipment mobilized from Manila arrived on location over the weekend and the final stages of the Phase 1 workover has commenced.
- Natural gas has again been flowed from the annulus and during these operations gas samples have been collected for analysis.
- Phase 1 workover operations will be completed over the next few weeks with the aim of establishing the current well bore and completion conditions, acquiring cased hole electric logs, swabbing the completion fluid from the well bore and if possible establishing a sustained gas flow rate.

#### **BACKGROUND**

A re-entry to conduct a workover on the fully cased Malolos-1 well, offers the Company the lowest cost and nearest term, low risk operation to try to produce commercial gas flow rates. The type of formation damage interpreted to occur in this well is common and similar to damage that has been successfully overcome in other hydrocarbon-bearing sandstones deposited within Tertiary age sedimentary basins worldwide.

The 2010 work program involves implementation of a reservoir remediation program, initially on the Malolos-1 well with an option to also workover the nearby Nuevo Malolos-1 well. The workover will target a 90 metre thick sandstone interval, at a depth of 816 metres, which was originally reported to have flowed gas to surface but which currently will not flow and is interpreted to be due to formation damage sustained during drilling. The operation will be conducted in two Phases:

- **Phase 1:** consists of initially establishing the well status, installation of wellhead safety equipment, swabbing the existing completion fluid out of the well to reduce back-pressure against the formation and inducing the well to flow, running cased-hole logs. This work will be completed in March, 2010. All equipment required for the Phase 1 workover is now onsite and work commenced yesterday.

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- **Phase 2:** determination and implementation of a well remediation program (of which there are numerous options) to induce the formation to flow natural gas at commercial rates and conduct a long term production test. This work will be conducted in Quarter 2, 2010.

The combination of results received from previous drilling activities along with a successful workover programme will enable the Company to commence planning for a multi-well exploration and appraisal programme in the second half 2010 targeting up to 100 Bcf of gas.

## **OPERATIONS UPDATE – PHASE 1**

- The initial operation involves a wellhead investigation and a brief testing program.
- The well is completed across the 816 metre sandstone interval with 24 metres of perforations (5 spf) and the installation of 2 <sup>7</sup>/<sub>8</sub> inch tubing filled with completion fluid (back pressure of about 1,100 psi) and a down-hole packer.
- Surface pressure within the tubing was recently measured at about 400 psi and when it was opened to atmosphere, flowed natural gas for about 1 minute from gas storage in the tubing above the completion fluid. The tubing was shut-in for 36 hours and the well again built up surface pressure and flowed natural gas for slightly less than a minute.
- The annulus (area between the outside of the tubing and the casing above the down-hole packer) also measured about 450 psi surface pressure. The annulus was opened to atmospheric pressure and flowed natural gas for just under 14 minutes from gas storage in the annulus above the completion fluid before depleting.
- Gas continues to quickly buildup in the annulus each time the stored gas within the annulus is flowed and vented to the atmosphere.
- Over the next few weeks an attempt will be made to gradually swab the completion fluid from the tubing to reduce the back pressure on the gas bearing sandstone reservoir in order to induce a sustainable gas flow to surface.

Operational updates will be released to the ASX once significant outcomes have been achieved.

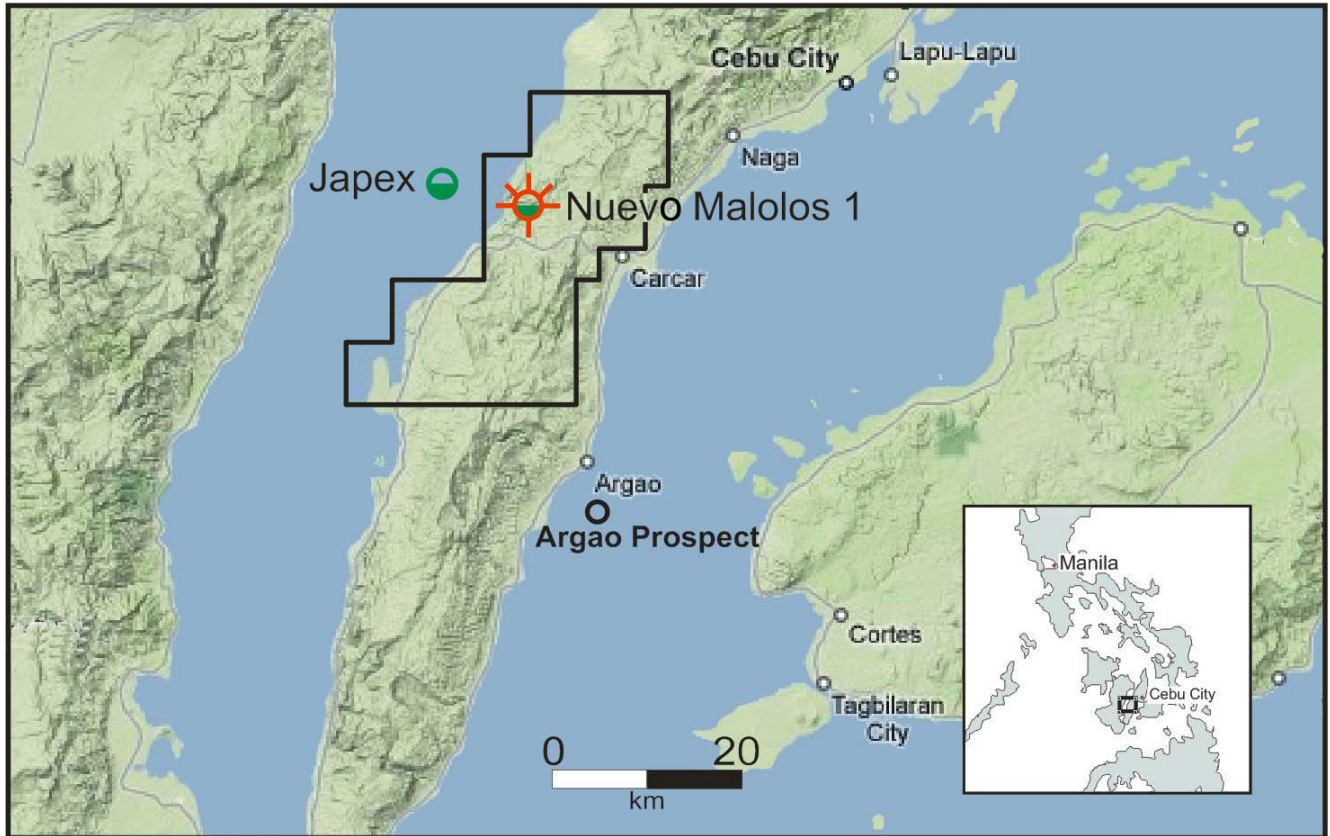
## **SEISMIC SURVEY**

A seismic acquisition program has been planned in order to assess the following:

- Detail a Miocene age limestone pinnacle reef prospect that has been interpreted from existing seismic data;
- Provide additional coverage over the eastern part of the Malolos anticline; and
- Provide regional coverage over selected parts of SC 44.

The Geocon minis-sosie seismic crew and equipment has already been mobilized to Cebu and seismic acquisition is planned to commence by the 21<sup>st</sup> March. The total number of kilometers acquired will depend on data quality and acquisition rates (kilometers/day). It is likely that the acquisition program will take 1-2 months to complete.

Figure 1: Service Contract 44, Cebu Island, Philippines



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