



Exploration Permit Bonaparte Basin, Timor Sea NT/P68 – (MEO 100%)

NT/P68 is a 12,070 km² petroleum exploration permit located in the Australian waters of the Timor Sea some 25 km west of Tassie Shoal and approximately 275 km northwest of Darwin. The initial 6 year term of the exploration permit expires in February 2010 and an application has been submitted to the Designated Authority seeking renewal for an additional 5 years. Renewal involves the mandatory relinquishment of 50% of the permit area.

Two gas discoveries – Heron & Blackwood - were made within the permit in early 2008. These discoveries may support the future gas supply demands of the Timor Sea LNG Project (Heron) and/or the Tassie Shoal Methanol Project (Blackwood), subject to successful appraisal drilling results.

Heron

Heron-2 intersected gas bearing sands at 3,929m some 237m structurally higher than Heron-1, drilled in 1972. Extensive losses of drilling fluid (mud) while drilling resulted in a 7" liner being set at 3,983m.

The uppermost interval recorded dry gas and associated CO₂. Sands intersected below this interval demonstrated a vastly different gas quality – a wet gas signature and no CO₂. This unexpected observation of wet gas at depth is deemed to be very encouraging.

The well continued drilling in interpreted gas bearing sands to 4,182m suggesting a gross gas column in excess of 250m. At this depth further significant losses of drilling fluids caused the premature cessation of drilling. Wireline logs were acquired and an open hole production test was attempted during which the well flowed up to 6 mmcf/d dry gas, high in CO₂ prior to being shut-in by a cyclone. On resumption of testing activities, it was found that the open hole had collapsed immediately below the uppermost sand interval which had demonstrated a high CO₂ signature while drilling.

The recovery of hydrocarbons to surface enabled MEO to declare Heron-2 a gas discovery. MEO considers that the gas sands below the point where the wellbore collapsed and which exhibited a wet-gas signature, were not represented during the production test. Additional technical work and further appraisal drilling will be required to better understand the Heron resource.

Blackwood

Blackwood-1 was drilled in early 2008 targeting Elang/Plover formation sands. Pre-drill expectations were for 1,461-2,572 Bcf of in-place gas resources expected to contain moderate to high levels of CO₂, suitable for methanol production.

A 49m gross gas column was interpreted from wireline logging data and MDT formation pressures. Dry gas with 25-30% CO₂ similar to Evans Shoal gas was recovered to surface. The recovery of hydrocarbons to surface enabled MEO to declare a gas discovery at Blackwood.

Immediately following the discovery, MEO acquired approximately 384 km² of 3D seismic data over part of the structure. Further appraisal drilling is required to ascertain the areal extent of this accumulation and the distribution and variability of reservoir quality. Contingent upon successful appraisal drilling results, Blackwood may contain sufficient gas to underpin the first of the approved methanol plants.