

22 December 2006

Company Announcements
ASX Limited

COMMENCEMENT OF DRILLING

On 14 December 2006, the Company announced its intention to commence drilling in the Gulf of Mexico Federal offshore lease South Marsh Island Block 138 (“SMI 138”).

The operator has executed a drilling contract for SMI 138. The rig will be towed into to location as soon as weather conditions are favourable. Current forecasts indicate that this will probably occur on or around 27 December 2006.

This well is targeting multiple Pleistocene age Lentic sands that range in depth from 2,980 metres to 3,600 metres (9800 feet to 11,800 feet). The well planned total depth is 3,627 metres (11,900 feet). The well is expected to take approximately 35 days to drill.

The well is targeting an oil resource estimated at between 6 million and 10.1 million barrels of oil or if the reservoir contains gas, between 22.5 and 33.6 BCFG (Note 1).

Jack Toby
Company Secretary

Note 1 As estimated by Apex Geophysical Services, Inc. is an international oil and gas consulting company based in New Orleans, in the state of Louisiana, USA.

BCFG Billion cubic feet of natural gas