Date:	03 August 2006	**Licence / State:**	P39 (V) / VIC
Report Period:	06:00 - 06:00 Hours	**Rig:**	Ensign 32
Days from Spud:	5	**GL:**	2.7m
Current Hole Size:	12.25"	**RT:**	8.6m
Depth @ 0600 Hrs:	458m MDRT	**PTD:**	2281m MDRT (-1338mSS)
	-422m TVDSS	**Spud Date:**	04:30 hrs 29/07/06
24 Hr Progress:	138m		

Current Operation: Drilling 12.25" directional hole in the Gippsland Limestone at 40 m/hr

Nope Cost (Drill)$ (C&S)$ (P&A)$ **Cost To Date:**

Casing Data	Hole Size	Depth	Casing Size	Wt:	Type	Shoe Depth	LOT
(Conductor)		100m	20"			60m	
	17.5"	320m	13.375"	54.5	J55 BTC	317m	EMW= 20.0 ppg
	12.25"		9.625"	47.0	N80 BTC		

Mud Data	Type:	Wt:	Visc:	WL:	PH:	KCl%:	Cl -:	PV/YP:	Rmf:
	KCL	8.8	48	8.5	8.5	5.0	26000	10 / 10	-

Bit Data	**No.**	**Make**	**Type**		**Size**	**Hours**	**Meters**	**Condition**
	1	Reed	Rock	T11C	17.5"	0.45	20	0-0-NO-A-O-I-RR-BHA
	1RR	Reed	Rock	T11C	17.5"	2.95	200	1-1-NO-A-0-I-RR-TD
	2	Reed	Rock	T11	12.25"	0.17	3.0	

Surveys	**Type**	**MD (m)**	**Inclination**	**Azimuth (T)**	**TVD (m)**	**Offset (m)**	**Direction (T)**
	MWD	398.5	32.8	120.73	385.08	70.04	118.94
	MWD	411.79	34.8	121.09	396.13	77.43	119.13
	MWD	426.36	36.07	120.21	408.00	85.87	119.28
	MWD	441.55	39.04	119.3	420.04	95.13	119.33

OPERATIONS SUMMARY

Previous 24 hrs Operations Summary:

Continue to pickup drillpipe and make up stands. Perform Top Drive and rig service. Make up 12.25" tricone bit and directional BHA with motor (1.15° bend) and MWD (Surveys & GR). Shallow test MWD. Run in hole to tag cement at 303 m. Simulate Well Control drill with all personnel. Drill out cement, float @ 305m, shoe track and 3m formation to 323m. Displace hole to mud. Conduct Leak-off Test with 8.8 ppg mud and obtain EMW=20.0 ppg. Drill ahead 12.25" directional hole to 458m at 06:00 hrs, building angle.

Anticipated operations:

Continue to drill 12.25" directional hole to ~625m building angle to ~70° (118.5° azimuth) with a build rate of 4.5°/30m. Circulate hole clean. Pull out of hole to pick up Geopilot assembly.

FORMATION TOPS (Preliminary Field picks)

FORMATION	ACTUAL TOP		High/Low	High/Low	PROGNOSED TOP	
	(MDmRT)	(TVDmSS)	To Prognosis	To East Reeve-1	(MDmRT)	(TVDmSS)
Jemmy's Point	5.9	2.7	-	-	6	3
Tambo River (Coquina)	143.0	-134.4	30.6m High	30.8m High	180	-165
Gippsland Limestone	235.0	-225.9	5.9m Low	0.2m High	230	-220
Lakes Entrance Formation					1876 **	-960 **
Latrobe Coarse Clastics					2098	-1155
Latrobe N. Asperus (Coal)					2163	-1220
Total Depth					2281	-1338

**** Revised Prognosis**

HYDROCARBON SHOW SUMMARY

INTERVAL	LITHOLOGY & HYDROCARBON FLUORESCENCE	GAS

GAS	MD (m)	Peak	Background	Chromatograph
Trip Gas	-	-	-	-
Connection Gas	-	-	-	-

INTERVAL ROP (min/ft)	LITHOLOGY	GAS (Peak / BG) Composition
320-354m ROP:0.8-3.6 Ave: 3.2	CALCARENITE INTERBEDDED WITH MINOR CALCAREOUS CLAYSTONE CALCARENITE (90-100%): Light to medium grey, light brown grey, cream, fine to medium, minor coarse grained, subangular, argillaceous in part, common calcite cemented, common fossil fragments of bryozoa, bi-valve shell fragments, sponges, echinoid spine fragments, trace loose quartz grains, trace glauconite, moderately hard to hard. CALCAREOUS CLAYSTONE (0-10%): Medium grey brown, light brown in part, arenaceous, silty grading to Calcareous Siltstone in part, moderately hard to hard, subblocky to subfissile.	Trace
354m-387m ROP:2.2-3.7 Ave: 3.0	CALCARENITE (100%): Light to medium grey brown, light brown grey, cream, fine to medium grained, minor coarse grained, subangular, common calcite cemented, argillaceous in part, common fossil fragments of bryozoa and echinoid spines, minor bi-valve and other shell fragments, trace lithic fragments, hard to very hard.	Trace
387-440m ROP: 1.8-3.8 Ave: 3.3	CALCARENITE INTERBEDDED WITH CALCILUTITE CALCARENITE: (70-100%) Light to medium grey brown, light brown grey, cream, fine to medium grained, minor coarse grained, subangular, common calcite cemented, argillaceous in part, decreasing fossil fragments of bryozoa and echinoid spines, minor bi-valve fragments, trace lithic fragments, hard to very hard, friable in part. CALCILUTITE: Light brown, light brown grey, argillaceous, soft to firm, dispersive, amorphous.	Trace