



DRILLING FLUID SUMMARY

FOR : KAROON GAS

WELL : MEGASCOLIDES 1
RE – ST1

GIPPSLAND BASIN

VICTORIA

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Date : December 2006

Operator : Karoon Gas
Well : Megascoides 1 – Re St1
Rig : Century Resources # 11
Start Ops : 14 December 2006 - 00:00 Hrs
Rig Release : 29 December 2006 - 16:00 Hrs



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Appendix A

Operator : Karoon Gas
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1. WELL DATA & SUMMARY

WELL DATA:

Operator:	KAROON Gas - (UPSTREAM Petroleum)		
Contractor:	CENTURY	Rig 11	
Well type:	Appraisal	PEP 162 EL 4537	Re-Entry/Sidetrack
Eng. Arrival Date:	10 December 2006		
Start Date:	14 December 2006	00:00 hrs	
TD Date:	26 December 2006	11:00 hrs	
Rig Release Date:	29 December 2006	16:00 hrs	
Eng. Release Date:	29 December 2006		
Total Days on Well:	20		

Interval		Hole Depth (m)	Casing Size (inch)	Interv. Depth (m)	Mud Wt. (lb/gal)	Mud Type
8 1/2" Hole to TD		1980	NONE	345	9.0	KCl / POLYMER
				Total	Chemicals:	\$34,573.37

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SUMMARY:

The well had been made ready for re-entry and Rig 11 of CENTURY Resources was accepted for operations by 24:00 hrs on the 13th of December 2006. The re-entry operations started at 00:00 hours on the 14th of December 2006.

Drill water was pumped from a dam, located on an adjoining property. The initial supply found in the day-tank, prior to the start of well operations, had the following properties:

pH	:	7.5
Chlorides	:	420 mg/l
Pf/Mf	:	0.0 / 0.02
Hardness	:	40 mg/l

It appeared, that the well might have begun to side-track between 534 and 619m. Therefore the mud-up of the fluid system with KCl and PAC-R additions was brought forward and carried out at this depth. The original program called for this to happen at the level of the next cement plug, which was expected at a depth of 1750 m.

After being plugged back to and side-tracked from 1635 m, two cores were cut from 1881 to 1895 m, with an average core recovery of 83%. The well reached a total depth of 1980 m on the 26th of December and was logged without problems. DST's were not run and the well was P+A.

The rig was released at 16:00 hrs on the 29th of December 2006.

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9-5/8" Casing : J-55 @ 504 metres
HOLE SIZE : 8½" Clean-out
MUD TYPE : Muddy water to 640 m, then KCl/POLYMER
INTERVAL : 0 – 1766 metres
CASING : None

During the rig-up phase a 15 ppb Bentonite spud-mud had been prepared to drill the rat and mouse holes and the socks installed. This fluid remained in the pre-mix tank.

During the final phase of the work carried out for rig acceptance, an 8½" SECURITY milled tooth bit, model SDH1558, type EBXSC1S, SN 108588, with 3x20 jets installed was made up to a bit sub and Kelly.

Operations to re-enter the well started at midnight on the 14th of December and the top of the SFC CMT plug was found at 6m. Started drilling out the cement plug, then picking up a non-magnetic drill collar and continued drilling cement. Broke through at 34m and picked up the remainder of the BHA, while washing down each component. Below the NMDC, the BHA consisted of 11 x 6¼" DC and 6 lengths of 4½" HWDP.

At first it was assumed that the BHA would be run in the hole and after tagging the second CMT plug, the old drilling fluid circulated out and dumped. It was anticipated for the fluid to show substantial bacterial degradation. However, washing down each part of the BHA soon made dumping the contaminated fluid impractical, as excessive water consumption occurred with the dumping.

The system was treated with 2 cans of biocide. This somewhat alleviated the strong smell of the circulated fluid. A spot analysis showed a pH of 11, an alkalinity reading of 0.42 / 0.85 for Pf/Mf, Chlorides of 550 mg/l and a total hardness of 200 mg/l.

Continued washing down, as drill pipe singles were picked up from the racks. Locating the second cement plug around 470 m did not materialise, as far observations of the WOB went, although small cement fragments kept on being screened out at the shakers. At 534 m this operation was halted and the hole circulated clean.

Rigged up for and carried out a formation leak-off test with 8.6 ppg fluid in the hole. A leak-off pressure of 750 psi was established and a casing seat fracture rating of 17.3 ppg calculated. POOH with drill string for a change of BHA.

This consisted of the addition of two string stabilisers, one above the NMDC and the second unit two drill collars further up. RIH to 516 m, when the string took weight. Reamed and washed to 557 m. At this depth firm cement was encountered and this was drilled out.

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The appearance of what appeared to be formation cuttings at surface resulted in the decision being made to advance the mud-up procedure, in case the hole did side-track and a new hole was being drilled.

To the 80 bbls of Bentonite fluid that had remained in the Pre-mix tank, 30 bbls of water that sat in the Pill were added and 20 sx of AUS-GEL were mixed into the resulting fluid. This was then blended into the active system. Chemical additions were continued with 126 sx of KCl direct into the active system, for a targeted concentration of just above 3%. This also necessitated the application of Defoamer.

For the PAC-R addition - initially about 1.5 ppb - the Pre-mix tank was refilled from the active system and 4 sx PAC-R added. This had thickened that batch sufficiently to prevent any further addition of the polymer. The Pre-mix was then bled back into the active system and the procedure repeated several times. As circulation was not continuous, the addition of the initial 20 sx of this material to the system took some time.

Broke through the cement at 619 m and started picking up single joints of drill pipe. Only 50 m down the string took weight and it became necessary to put on the Kelly and ream/wash through these obstructions. By 750 m the hole was clear and it was possible to continue to RIH, picking up singles.

At a depth of 990 m the string took weight again and from then on in, reaming and washing was required to reach the programmed depth of 1766 m. The effects of the bacterial degradation become more pronounced as more of the 2 year-old, starch-based fluid was circulated out from further down in the hole. Biocide continued to be added to the system, in an attempt to reduce the most noticeable effect - a pungent smell.

While washing down towards the target depth, the fluid system continued being treated toward having acceptable properties for the side track operations. The chemical additions consisted of the on-going treatment with PAC-R and KCl, and Defoamer was added when required. With KCl now part of the system came the need to provide Sodium Sulphite as an Oxygen scavenger, to reduce the corrosive nature of the fluid.

When the top of the cement plug, expected at around 1640 m did not materialise, the hole continued to be washed to 1766 m. At this depth the decision was made to stop and condition the fluid, prior to running a Multi-shot deviation survey. Added more PAC-R to further reduce the filtrate and also impart some viscosity to the fluid.

The incorporation of the fluid in the bottom third of the hole had resulted in a substantial deterioration of the fluid properties. Extra KCl also needed to be added to offset the diluting effect of the original fresh-water based fluid.

With the mud properties getting closer to the programmed values, attention was switched to the preparations for the upcoming trip and subsequent setting of the

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Kick-off CMT plug. Prepared 45 bbls of a Xanthan Gum-based HiVis pill. That was spotted on bottom, to act as a base for the cement plug. At this point the Multi-Shot tool was dropped down the drill string. With the survey tool in place, the string was pulled back two stands to 1716 m and a heavy, KCl-based pill pumped. Pulled drill string from the hole, in accordance with instructions from the MS tool operator.

While the results of the survey were developed and processed, the cement stinger, consisting of 15 lengths of 3½" tubing, totalling 140 m, were prepared and made up. With the all-clear on the survey results, the stinger was RIH on 4½" drill pipe, picking up extra DP singles as required to reach a depth of 1744 m. Connected circulating line and circulated hole clean.

Rigged up HALLIBURTON, pumped 20 bbl water spacer and pressure tested lines. Mixed and pumped 45 bbls 16.5 ppg cement, followed by 2 bbls of water. Displaced cement with 71 bbls drilling mud.

Pulled back 8 stands to 1640 m and circulated 11400 strokes with two pumps. About 10 bbls of watered-back mud were dumped, no cement was seen at surface. POOH with cementing string and laid down cement stinger.

Made up polishing BHA, RIH to 478 m, put on Kelly and circulated while WOC. RIH and found top of cement at 1622 m. Dressed plug to 1635 m and circulated hole clean with 2 pumps and 20000 pump strokes. Mixed and pumped a KCl-based heavy pill and POOH with BHA # 3.

Made up kick-off BHA (#4) using the same (re-run) bit, a 4/5 lobe mud motor, Monel NMDC, 11 of the previously used 12x6¼" DC and 6 lengths of 4½" HWDP. Total BHA length amounted to 184.08m. RIH to cement plug, oriented string, and commenced kick-off.

Drilled to 1659 m, with increasing positive indication that kick-off had taken place. At 1659 m ran a single shot and confirmed kick-off. Circulated bottoms up, mixed and pumped a KCl-based heavy pill and POOH for change of BHA.

For BHA #5 a DBS PDC bit, type FM3553, S/N 10881881, with 5 x 11 jets installed was made up to a NB stabiliser, followed by the NMDC. Two conventional 6¼" Drill Collars were then picked up, before a second string stabiliser was included and then 6 more 6¼" DC. Made up jars, an additional 3x6¼" DC, followed by 6 lengths of 4½" HWDP. The length of the entire BHA came to 179.66 m.

RIH to casing shoe, slipped and cut drilling line. RIH to 1630 m, picked up kelly, reamed and washed to bottom at 1659 m. Bedded in bit and resumed drilling.

While drilling at 1848 m tight hole conditions were experienced when making a connection. Worked string free, mixed and pumped a 25 bbl EXTRA-SWEEP pill and circulated around. This did not bring any extra cuttings out of the hole. Resumed drilling and reached core point at 1881 m.

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When at about 1840 m, orders were received to lower the fluid density to 9.0 ppg, preferably to 8.9 ppg. Because of several delays experienced while trying to achieve this goal, the conditioning of the drilling fluid had to continue, after core point had been reached.

The surface system was shortened to include only the sections of the solids control equipment tank. All compartments of the suction/pre-mix tank/pill tank were isolated and in effect a quarter of the existing system, about 230 bbls of fluid, were dumped. A total of 290 bbls of new premix was made. This consisted of fresh lease water with 2 ppb of PAC-R being added. The resulting fluid was blended back into the active system and a final density of just under 9.0 ppg recorded.

Once this result had been attained, a 20-stand check trip to 1490 m was made. Hole condition were good, however when running back in the hole, the string took weight around the 1848 m level. Worked string and continued RIH to bottom. During this time a further EXTRA-SWEEP pill was mixed in the pill tank.

This was now pumped around, confirming that hole cleaning had been effective. The last survey for this interval was run and the drill string pulled from the hole, without the use of a heavy pill. With the BHA at surface, the Monel DC and all three stabilisers were laid out.

Made up a HALLIBURTON RTTS packer and RIH to 467 m, at which depth a casing test to 2500 psi was carried out. Retrieved and laid out packer.

An 18 m core barrel, consisting of 3 sections and 4 stabilisers was assembled. This was headed by a type MCP662 core bit, SN 8492C with a TFA of 1.010 in². Ran coring assembly in the hole with 11x6¼" DC and 6x4½" HWDP to a depth of 1881 m, with the last three singles being washed down. Circulated hole clean, dropped ball and commenced coring.

Cut core # 1 from 1881 to 1889 m. At this point the Stand Pipe Pressure began to increase. The coring process was halted and the coring assembly pulled from the hole. Recovered 6.6 m of core, being 82.5% of the core cut. Serviced core barrel and ran back in the hole to 1805 m. Reamed and washed to bottom at 1889 m and resumed coring.

Cut core # 2 from 1889 to 1895 m. Stopped coring at this depth and POOH. Recovered 5 m core, being 83.5% of the core cut. The core barrel was serviced and laid out.

Made up BHA # 7, which was again a packed assembly, identical to BHA # 6 and RIH to 1877 m. Picked up Kelly and washed/reamed rat hole to bottom. 2 m of fill were recorded. Resumed drilling and the well was pronounced to be at TD at a depth of 1980 m.

The drilling fluid used during the final phase of this well continued to be maintained at a density of 9.0 ppg. The falling of substantial amounts of rain required extra polymer additions, to keep the required levels of viscosity and rheology.

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The hole was circulated clean and a single shot survey run, which did however result in a misrun. Pulled drill string from the hole and prepared to log the well. This was carried out with a logging unit from PRECISION Logging and included Repeat formation test points.

At the completion of the logging program the decision was made to plug and abandon this well. Three cement plugs were set on top of HiVis pills and the drill string laid down incrementally.

The rig was released for the move to MEGASCOLIDES 2 at 16:00 hrs, on the 29th of December 2006.

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2. OBSERVATIONS & RECOMMENDATIONS

This well, being a re-entry and subsequent side-track was drilled as programmed, no deviations from the program were necessary. There were no difficulties with getting E-logs down the hole.

With recycling fluid from the sump a definite option, it is essential to have a dedicated pump available for that purpose. This is currently not the case. Recommended is the provision of an electrically driven, flexi-shaft operated, submersible pump, which can be switched on and off on demand. COATES HIRE provides items like that, which have been used quite successfully in the past. This pump should be designated 'Drilling Fluid use ONLY' and should preferably not be made available for pumping out cellars and other duties – unless the pumped volume is being re-used as drilling fluid. This is to ensure, that if the pump is needed for recycling, it has not been made inoperative by other applications.

The shale shakers worked well; once the maintenance of lower than planned density became imperative, a combination of 2x175 + 1x140 mesh screen was used with good effect.

Initial difficulties with the mud mixing pump were overcome with the fitting of a new impeller. The output of both the de-sander and desilter was impaired by the presence of washed out cones. Spares were expected to arrive soon. In effect, the sometimes excessive discharge of lower than expected density underflow, was a blessing in disguise, as it resulted in dilution by default or stealth. And at time that assisted in keeping down the fluid density. By the end of the well, the desander pump had been overhauled, a second new desander cone installed and working pressure gauges fitted to both appliances

In the main, the tank system and the associated equipment worked at an acceptable level. The passage area on the solids-control tank would benefit from relocation of the 6" line, which supplies the desander.

One problem, that requires urgent rectification is the skimmer-equaliser in the solids-control tank. The current arrangement does not permit the skimmer to be completely raised and thus fully isolate the Solids-control tank from the Suction/Premix/Pill tank combination. This position is required, when a shortened system needs to be used. Once it had – with a lot of effort - been lifted to its highest position, it then proved near impossible to lower it again.

The answer would appear in placing a 45° elbow into the movable skimmer pipe, to raise the opening thereof. A re-design of the raising/lowering winch and associated cabling may assist - as well as servicing of the rotational joint of the skimmer.

Hole Gauge

Hole gauge was relatively poor. The previously drilled Megascoldes # 1 also suffered from poor hole gauge and it was fully expected that running an inhibitive

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KCl based fluid would lead to improvements. As a consequence of the poor gauge, a number of Laboratory Tests were carried out (see Appendix A) to determine what the possible mechanisms leading to washed hole were, and whether the fluid design could be improved to improve hole gauge.

The Laboratory Tests found that the formations in question were quite dispersive but contained little to no montmorillonite type clays – these are the types of clays that are most commonly found to cause problems when there is inadequate KCl in the fluid system. These findings were backed up by field testing – little to no K+ was being used up in base exchange, leading to the same conclusion that KCl was not a vital additive and did not aid in stabilising the hole.

Lab tests found that relatively high concentrations of PHPA did aid in reducing the dispersive nature of the samples that had been tested. As a consequence, a similar mud along with PHPA was programmed for the next well, Megascolides # 2.

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3.1 COST ANALYSIS by PRODUCT

PRODUCT	Usage	COST	% of COST
AMC Biocide G	16	\$3,013.28	8.7%
AMC Defoamer	14	\$2,049.60	5.9%
AMC PAC-R	89	\$14,461.61	41.8%
AUS-GEL	54	\$658.26	1.9%
Baryte	36	\$358.20	1.0%
Caustic Soda	1	\$50.73	0.2%
Citric Acid	2	\$146.50	0.4%
Class A Cement			
KWIKSEAL - C			
KWIKSEAL - F			
KWIKSEAL - M			
Lime	1	\$9.35	0.1%
Potassium Chloride (TG)	336	\$6,760.32	19.5%
ROD-FREE 205Lt			
ROD-FREE 25Lt			
Salt			
SAPP			
Soda Ash	33	\$603.90	1.7%
Sodium Sulphite	22	\$828.96	2.4%
Xanthan Gum	14	\$5,070.66	14.6%
XTRA - Sweep	5	\$562.00	1.6%
TOTAL CHEMS.		\$34,573.37	100.00%
ENGINEERING	--		
TOTALS		\$34,573.37	100.00%

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3.2 COST ANALYSIS by INTERVAL

INTERVAL	8½" HOLE	Post TD	WELL TOTAL
	SFC – 1980 m	LOGs, DST &	
CASING	7" NOT RUN	COMPLETION	
Set		N/A	
Total Cost - Interval	\$34,573.37		\$34,211.18
Interval days	15		15
Metres drilled	345.0 m		345.0 m
Mud mixed	1720 bbls		1720 bbls
Cost per day	\$2,304.89		\$2,280.75
Cost per metre	\$100.21		\$99.16
Drilling fluid mixed per m hole drilled			
	4.99 bbls		4.99 bbls
Cost per bbl	\$20.10		\$19.89



4. MATERIALS RECONCILIATION

FOR
MEGASCOLIDES 1- RE-ST1

TRANSFERRED TO:
MEGASCOLIDES 2

PRODUCT	Cost	lbs per UNIT	prev. well N/A	Starting Balance	Written off Damaged	TOTAL Received	TOTAL Used	FINAL BALANCE	Delivery Ticket Numbers
AMC Biocide G	\$188.33	50		32		32	16	16	
AMC Defoamer	\$146.40	55		17		17	14	3	
AMC PAC-R	\$162.49	55		64		160	89	71	
AMC PHPA	\$120.61	55		60		60		60	
AUS-BEN		55							
AUS-DEX	\$58.79	55		96		96		96	
AUS-GEL	\$12.19	55		420		420	54	366	
Baryte	\$9.95	55		560		560	36	524	
Calcium Chloride	\$19.65	55							
Caustic Soda	\$50.73	55		22		22	1	21	
Citric Acid	\$73.25	55				40	2	38	
Class A Cement		88							
KWIKSEAL - C	\$58.63	40		32		32		32	
KWIKSEAL - F	\$58.63	40		32		32		32	
KWIKSEAL - M	\$58.63	40		32		32		32	
Lime	\$9.35	44		12		12	1	11	
Potassium Chloride (TG)	\$20.12	55		336		756	336	420	
ROD-FREE 205Lt	\$1,023.75	450		1		1		1	
ROD-FREE 25Lt	\$124.85	55							
Salt	\$10.09	55							
SAPP	\$73.46	55							
Soda Ash	\$18.30	55		41		41	33	8	
Sodium Sulphite	\$37.68	55		42		42	22	20	
Xanthan Gum	\$362.19	55		30		30	14	16	
XTRA - Sweep	\$112.40	12		10		10	5	5	

Total Weight Kg	43,544
Value of Stock on hand	\$63,856



5. FLUID PROPERTIES SUMMARY

Date	Mud Type	Temp	Depth	Weight	Vis	PV	YP	Gels		Filtrate		Solids				pH	Pf	Mf	Pm	Cl-	Ca++	SO3=	K+	KCl
								10 sec	10 min	API	Cake	Solids	Water	Sand	MBT									
14-Dec-06	MUDDY WATER	26.2	534	8.55	30	1	1	0	0	NC		1.5	98.5	0	2.0	11.5	0.51	0.51	1.00	650	280	0		0.0
15-Dec-06	KCl/POLYMER	26.5	592	8.70	33	3	6	2	3	NC	3	1.1	98.9	0.1	10.0	13.5	3.50	1.90	2.25	18,500	840	0	22,200	4.1
	KCl/POLYMER	28	1005	8.85	38	7	2	1	1	22.0	2	2.1	97.9	0.2	6.7	13.5	4.20	1.28	2.05	15,400	680	50	20,500	3.8
16-Dec-06	KCl/POLYMER	34	1766	9.30	36	6	2	1	1	20.0	2	6.2	93.8	0.8	11.0	10.5	1.90	0.18	1.95	11,000	1180	150	11,300	2.1
	KCl/POLYMER	46.5	1766	9.25	42	12	3	1	1	13.0	2	5.9	94.1	0.8	11.5	10.0	1.65	0.12	1.82	13,500	1280	120	11,900	2.2
17-Dec-06	KCl/POLYMER	42.2	1640	9.20	44	14	4	1	0	12.0	2	5.5	94.5	0.3	10.0	11.0	1.82	0.12	1.85	14,500	980	100	13,000	2.4
18-Dec-06	KCl/POLYMER	41.5	1635	9.20	48	11	9	1	0	10.0	2	5.2	94.8	0.5	10.5	11.0	1.90	0.27	2.00	15,800	800	250	16,800	3.1
19-Dec-06	KCl/POLYMER	38.2	1636	9.20	47	11	8	0	1	9.5	1	5.1	94.9	0.3	10.0	11.5	2.55	0.31	3.10	16,700	980	200	17,800	3.3
	KCl/POLYMER	43.4	1641	9.20	49	9	18	1	2	9.0	1	4.9	95.1	0.3	9.0	12.5	2.85	0.38	3.90	19,500	1200	150	20,500	3.8
20-Dec-06	KCl/POLYMER	42.2	1646	9.20	50	18	12	0	1	7.8	1	4.8	95.2	0.2	9.0	12.0	2.64	0.45	2.50	18,900	560	150	21,600	4.0
	KCl/POLYMER	43	1659	9.20	52	22	12	1	2	7.5	1	4.9	95.1	0.2	9.0	12.0	2.55	0.43	2.42	19,000	520	150	20,500	3.8
21-Dec-06	KCl/POLYMER	42.2	1680	9.25	53	20	11	1	2	8.2	1	5.2	94.8	0.5	10.0	12.5	2.75	0.47	2.55	19,200	360	200	21,600	4.0
	KCl/POLYMER	45.7	1749	9.35	52	20	11	1	2	7.7	1	5.9	94.1	0.8	11.0	12.5	2.68	0.55	2.60	19,800	280	250	22,200	4.1
22-Dec-06	KCl/POLYMER	47.5	1843	9.25	53	19	13	1	2	7.5	1	5.1	94.9	0.5	12.0	11.5	1.90	0.35	2.00	18,800	260	120	21,600	4.0
	KCl/POLYMER	45.5	1881	8.95	46	14	9	0	1	7.0	1	3.7	96.3	TRC	7.0	10.0	1.60	0.17	1.32	10,000	280	25	11,300	2.1
23-Dec-06	KCl/POLYMER	37.5	1881	8.95	44	12	8	0	1	6.6	1	3.3	96.7	0.1	12.0	9.5	1.34	0.08	1.25	12,100	480	50	15,100	2.8
24-Dec-06	KCl/POLYMER	40.5	1889	9.00	47	13	9	0	1	7.0	1	4.0	96.0	0.2	12.0	9.2	1.15	0.10	1.15	12,300	240	150	13,000	2.4
25-Dec-06	KCl/POLYMER	38.9	1895	9.00	48	13	9	1	1	6.2	1	4.1	95.9	0.2	9.0	10.0	1.25	0.18	1.28	10,800	120	150	11,300	2.1
26-Dec-06	KCl/POLYMER	49.2	1980	9.05	53	20	17	2	2	6.4	1	4.3	95.7	0.15	7.50	9.8	0.92	0.16	1.35	12,900	160	200	13,500	2.5
27-Dec-06	KCl/POLYMER	--	1980	9.05	58	18	14	2	2	6.6	1	4.3	95.7	0.1	7.0	9.8	0.90	0.15	1.30	11,500	180	120	12,400	2.3
28-Dec-06	KCl/POLYMER	--	1980	9.05	57	17	16	2	2	6.6	1	4.3	95.7	0.1	7.0	9.8	0.90	0.14	1.25	11,700	180	100	12,400	2.3



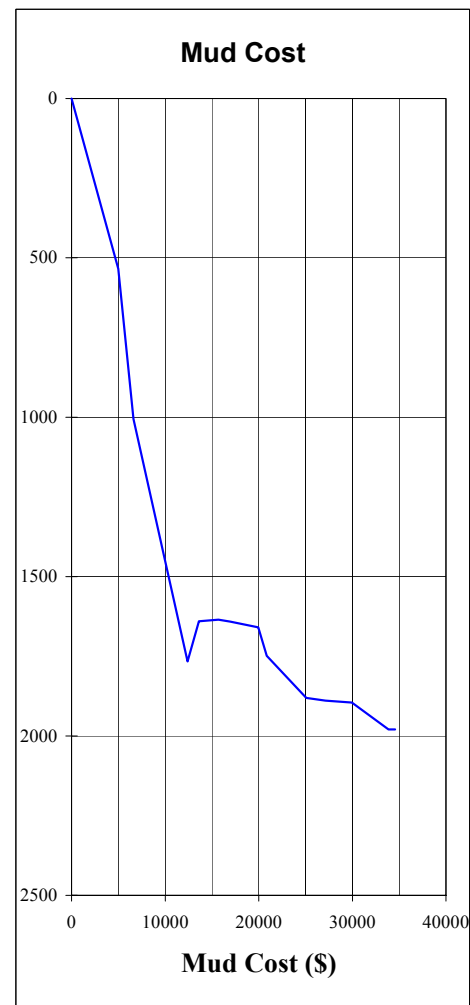
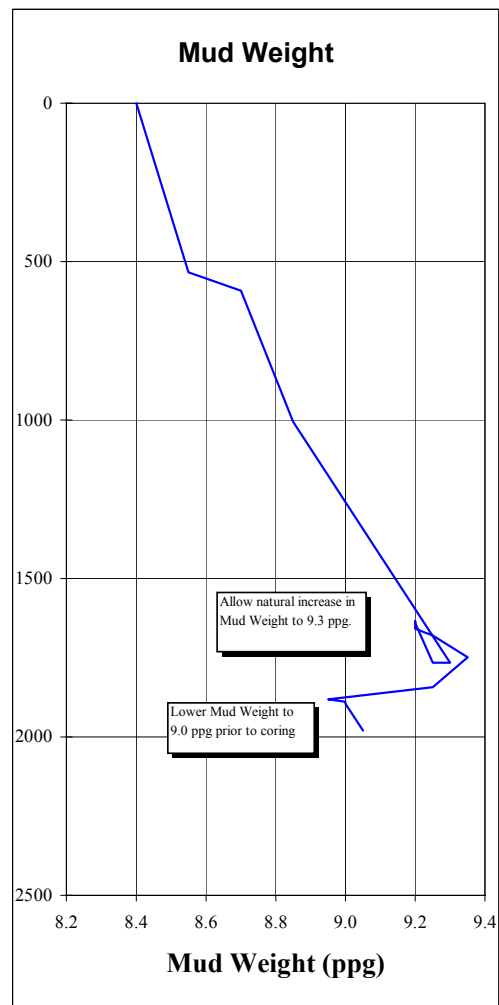
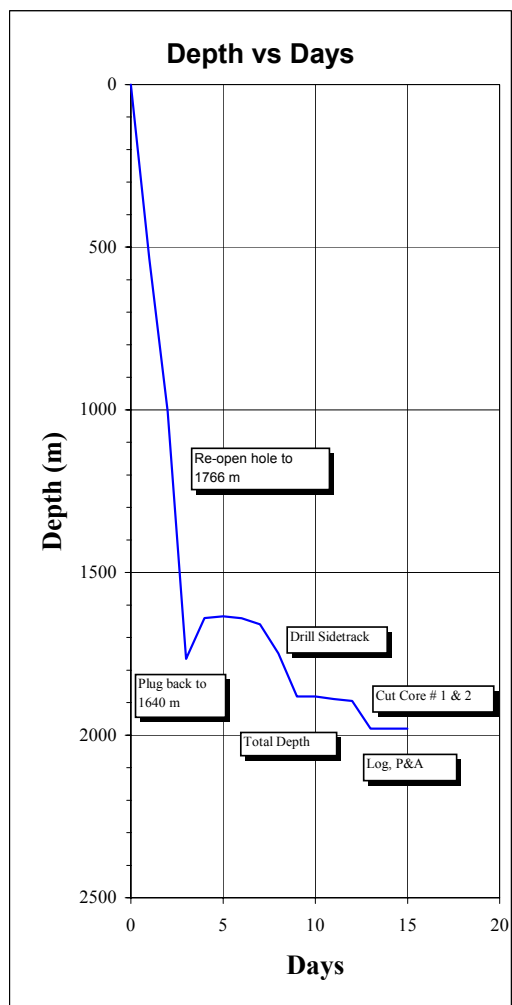
6. Mud Volume Analysis

Date	Hole Size	Interval		Mud Type	Fluid Built & Received					Fluid Disposed						Summary			
		From	To		Fresh Premix	Sump Premix	Direct Recirc	Water	Other	De-sander	De-silter	Surface Losses	Down-hole	Dumped	Other	Initial	Received	Disposed	Final
14-Dec-06	8-1/2"	0 m	534 m	KCl Polymer				565	130	10	0		1	120		0	695	131	564
15-Dec-06	8-1/2"	534 m	1175 m	KCl Polymer				50	130	24	48		5			564	180	77	666
16-Dec-06	8-1/2"	1175 m	1766 m	KCl Polymer				50	130	20	24		15	20		666	180	80	767
17-Dec-06	8-1/2"	1766 m	1640 m	KCl Polymer					70	0	0		0	11		767	70	11	826
18-Dec-06	8-1/2"	1640 m	1635 m	KCl Polymer				70		4	0		3			826	70	7	888
19-Dec-06	8-1/2"	1635 m	1641 m	KCl Polymer						8	0		7	10		888	0	25	864
20-Dec-06	8-1/2"	1641 m	1695 m	KCl Polymer						0	0		23			864	0	23	840
21-Dec-06	8-1/2"	1695 m	1758 m	KCl Polymer						4	0		2	10		840	0	16	824
22-Dec-06	8-1/2"	1758 m	1881 m	KCl Polymer	290			80		14	65		0	230		824	370	309	885
23-Dec-06	8-1/2"	1881 m	1881 m	KCl Polymer						2	2		3	35		885	0	42	844
24-Dec-06	8-1/2"	1881 m	1889 m	KCl Polymer				45		11	3		0			844	45	13	875
25-Dec-06	8-1/2"	1889 m	1908 m	KCl Polymer				90		19	11		0			875	90	29	936
26-Dec-06	8-1/2"	1908 m	1980 m	KCl Polymer				20		21	13		4	30		936	20	68	888
27-Dec-06	8-1/2"	1980 m	1980 m	KCl Polymer				10		0	0		0			888	10	0	898
28-Dec-06	8-1/2"	1980 m	1980 m	KCl Polymer					145	0	0		4	10		898	145	14	1029
Sub Total					290	0	0	980	605	137	166	0	67	476	0		1875	846	
Well Total					290	0	0	980	605	137	166	0	67	476	0		1875	846	

Dilution Factors			
	Interval Length	Dilution Vol	Dilution Factor
8 1/2" Hole	1980 m	1310 bbls	0.7 bbls/m



7. Graphs



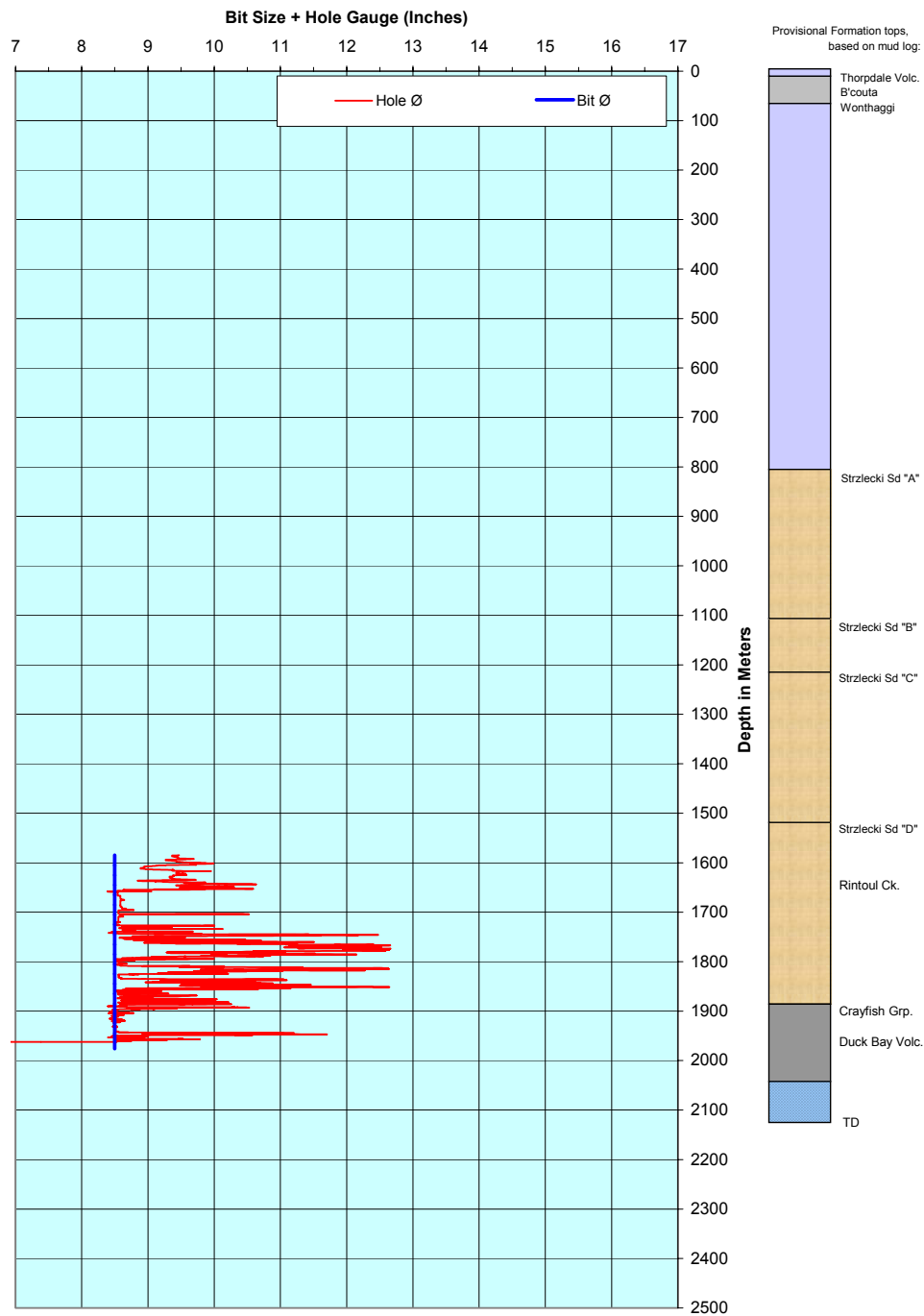


8. Bit & Hydraulics Record

Bit #	Size	Make	Type	Jets						Depth In	Depth Out	Depth Drilled	Hours	Cumm Hours	WOB	RPM	GPM	Mud Wt	Jet Vel	HHPb/sq"	Impact Force
1RR	8 1/2"	Security DBS	EBXSC15	20	20	20				6	1766	1760						8.3			
1RR2	8 1/2"	Security DBS	EBXSC15	20	20	20				1640								9.0			
1RR3	8 1/2"	Security DBS	EBXSC15	20	20	20				1635	1659	24	48	48	1	125	250	9.1	87	9	102
2	8 1/2"	Security DBS	FM3553	11	11	11	11	11		1659	1881	222	22	70	15	130	320	9.1	221	74	331
3	8 1/2"	Security DBS	MCP662	14	15	15	15	15	15	1881	1890	9	4	74	11	90	233	9.0	74	6	80
2RR	8 1/2"	Security DBS	FM3553	11	11	11	11	11		1895	1980	85	13	87	15	130	320	9.0	221	74	331

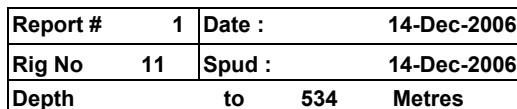


9. Calliper





10. DAILY DRILLING FLUIDS REPORTS



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DRILLING FLUID REPORT

Report #	2	Date :	15-Dec-2006
Rig No	11	Spud :	14-Dec-2006
Depth	534	to	1175 Metres

OPERATOR	KAROON Gas / UPSTREAM Petr.	CONTRACTOR	CENTURY Resources	
REPORT FOR	Brian HOLLAND	REPORT FOR	Cesar MIACO	
WELL NAME AND No	MEGASCOLIDES 1- RE-ST1	FIELD	LOCATION	STATE
		PEP 162 / EL 4567	GIPPSLAND	VICTORIA

DRILLING ASSEMBLY				JET SIZE			CASING		MUD VOLUME (BBL)		CIRCULATION DATA					
BIT SIZE		TYPE		20	20	20	9 5/8	SURFACE SET @		HOLE		PUMP SIZE		CIRCULATION PRESSURE		
8.50	SEC-EBXC19							1654	ft	251		393	5	x	7	350 psi
DRILL PIPE SIZE 4.5		TYPE 16.6 #		Length 1008 Mtrs			INTERMEDIATE SET @		TOTAL CIRCULATING VOL.		PUMP MODEL		ASSUMED EFF		BOTTOMS UP	
DRILL PIPE SIZE 4.50		TYPE HW		Length 56 Mtrs			PRODUCTION/LINER Set @		IN STORAGE		BBL/STK@ 100%		STK / MIN		TOTAL CIRC. TIME	
DRILL COLLARS				Length			MUD TYPE				BBL/MIN		GAL / MIN		ANN VEL. DP	
6.25		6.25		100 11 Mtrs			KCI/POLYMER				8.24		346		(ft/min) DCs 163 256 256	


		MUD PROPERTIES		MUD PROPERTY SPECIFICATIONS						
SAMPLE FROM		Suction	Suction	Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--	
TIME SAMPLE TAKEN		10:50	21:30	Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0	
DEPTH	(ft) - (m)	Metres	592	1,005	KCl	NIL	PHPA	NIL	Sulphites	NIL

FLOWLINE TEMPERATURE	°C	°F	27	80	28	82	OBSERVATIONS For mud-up, add 20sx GEL to remaining bentonite mud in P/MIX Tk, add water from pill Tk + blend into active system. Add 3 plts KCl (~10ppb), expect to have >3% KCl concentration in system. Add (Batch mixing)14sx PAC-R (~1.5ppb) for initial fluid loss control. Also phase in Oxygen scavenger (Sodium Sulphite) at 0.17 ppb. Continue Biocide addition and use Defoamer as required. Intermittent circulation slows treatment of full system.
WEIGHT	ppg	SG	8.70	1.044	8.85	1.061	
FUNNEL VISCOSITY (sec/qt) API @	28 °C		33		38		
PLASTIC VISCOSITY cP @	30 °C		3		7		
YIELD POINT (lb/100ft²)			6		2		
GEL STRENGTHS (lb/100ft²) 10 sec/10 min			2	3	1	1	
RHEOLOGY	θ 600	θ 300	12	9	16	9	
RHEOLOGY	θ 200	θ 100	7	6	7	4	
RHEOLOGY	θ 6	θ 3	3	2	1	1	
FILTRATE API (cc's/30 min)			NC		22.0		
HPHT FILTRATE (cc's/30 min) @	-- °F		--		--		
CAKE THICKNESS API : HPHT (32nd in)			3	--	2	--	
SOLIDS CONTENT (% by Volume)			1.1		2.1		

LIQUID CONTENT (% by Volume) OIL/WATER	0	98.9	0	97.9	OPERATIONS SUMMARY POOH to SFC, include stabs into BHA, RIH to 516m. Ream+wash to 557m. Find hard cement at this depth, drill CMT. Suspect kick-off, receive orders to mud up, as formation is liable to be re-drilled. Drill out CMT to 619m, RIH singles, ream bridges from 670-750m, RIH singles to 990m, ream+wash to 1175m @ 24:00 hrs
SAND CONTENT (% by Vol.)	0.10		0.20		
METHYLENE BLUE CAPACITY (ppb equiv.)	10.0		6.7		
pH	13.5		13.5		
ALKALINITY MUD (Pm)	3.50		4.20		
ALKALINITY FILTRATE (Pf / Mf)	2	2.25	1.28	2.05	
CHLORIDE (mg/L)	18,500		15,400		
TOTAL HARDNESS AS CALCIUM (mg/L)	840		680		
SULPHITE (mg/L)	0		50		
K+ (mg/L)	21,500		20,000		
KCl (% by Wt.)	4.1		3.8		
PHPA (ppb)					

Mud Accounting (bbls)						Solids Control Equipment									
FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY			Type	Hrs		Cones	Hrs		Size	Hrs	
Premix (drill water)		Desander	24	INITIAL VOLUME	564	Centrifuge	N/A		Desander	2	16	Shaker #1	3x84	24	
Premix (recirc from sump)		Desilter	48			Degasser	Po'Boy	0	Desilter	10	16	Shaker #2	3x84	24	
Drill Water	50	Downhole	5	+ FLUID RECEIVED	180										
Direct Recirc Sump		Dumped		- FLUID LOST	77										
Other	130	Surface		FLUID in STORAGE	22										
TOTAL RECEIVED	180	TOTAL LOST	77	FINAL VOLUME	666	Desander	8.9		11.8		1.06				
						Desilter	8.9		10.9		2.11				

[illegible]



DRILLING FLUID

REPORT

Report # 3

Date : 16-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1175 to 1766 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Brian HOLLAND

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

SEC-EBXSC1S

JET SIZE

20

20

20

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

419

PITS

342

CIRCULATION DATA

PUMP SIZE

5.5 X 7

Inches

CIRCULATION PRESSURE

950 psi

DRILL PIPE

SIZE 4.5

TYPE

16.6 #

Length

1599 Mtrs

INTERMEDIATE SET @

ft

TOTAL CIRCULATING VOL.

761

DRILL PIPE

SIZE 4.50

TYPE

HW

Length

56 Mtrs

PRODUCTION/ LINER Set @

M

IN STORAGE

6

D/Collars

6.25

TOOLS

6.25

Length

100 11 Mtrs

MUD TYPE

KCI/POLYMER

BBL/MIN

8.24

GAL / MIN

346

ANN VEL. (ft/min)

163

DP DCs

256 256

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Below Shkr

Below Shkr

12:30

17:00

1,766

1,766

34 93

47 116

9.30 1.116

9.25 1.109

36

42

6

12

2

3

1 1

1 1

14 8

27 15

5 3

10 6

1 0

1 0

20.0

13.0

--

--

2 --

2 --

6.2

5.9

0 93.8

0 94.1

0.75

0.75

11.0

11.5

10.5

10.0

1.90

1.65

0 1.95

0.12 1.82

11,000

13,500

1180

1280

150

120

11,000

11,600

2.1

2.2

0.00

0.00

MUD PROPERTY SPECIFICATIONS

Mud Weight

MIN

API Filtrate

NC

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

pH

9.0 - 10.0

KCI

NIL

PHPA

NIL

Sulphites

NIL

OBSERVATIONS

Continue treatment of system with PAC-R, KCI; add Defoamer, Biocide and Sodium Sulphite as required. Further addition of PAC-R needed to bring API Filtrate into line.

Please note adjustment of Pump Liner Ø from 5" to 5.5"

OPERATIONS SUMMARY

Ream+wash frm 1175>1766m; condition mud. Drop Multi-shot survey Mix+pump HiVis pill, spot on bottom, pull back to 1716m, mix+pump KCI-based heavy pill, POOH to SFC, taking MS readings. Prepare CMT stinger.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

Premix (drill water)

Premix (recirc from sump)

Drill Water

Direct Recirc Sump

Other

TOTAL RECEIVED

FLUID DISPOSED

Desander

Desilter

Downhole

Dumped

Surface

TOTAL LOST

SUMMARY

INITIAL VOLUME

666

+ FLUID RECEIVED

180

- FLUID LOST

80

FLUID in STORAGE

6

FINAL VOLUME

767

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

18

Shaker #1

3x84

18

Degasser

Po'Boy

0

Desilter

10

10

Shaker #2

3x84

18

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

9.2

10.5

0.79

Desilter

9.2

9.8

1.69

Product

Price

Start

Received

Used

Close

Cost

AMC Biocide G

\$ 188.33

28

2

26

\$ 376.66

AMC Defoamer

\$ 146.40

15

1

14

\$ 146.40

AMC PAC-R

\$ 162.49

50

20

30

\$ 3,249.80

AUS-GEL

\$ 12.19

368

2

366

\$ 24.38

Baryte

\$ 9.95

560

1

559

\$ 9.95

Potassium Chloride

\$ 20.12

210

72

138

\$ 1,448.64

Sodium Sulphite

\$ 37.68

40

4

36

\$ 150.72

Xanthan Gum

\$ 362.19

30

1

29

\$ 362.19

Solids Analysis

% Vol

PPB

High Grav solids

5.9

55.5

Total LGS

0.7

6.4

Bentonite equiv.

5.2

47.0

Drilled Solids

0.8

7.8

Salt

n @ 17:00 Hrs

0.85

K @ 17:00 Hrs

0.39

Bit Hydraulics & Pressure Data

Jet Velocity

120

Impact force

200

HHF

24

HSI

0.4

Bit Press Loss

121

CSG Seat Frac Press

750 psi

Equiv. Mud Wt.

17.30 ppg

ECD

9.70 ppg

Max Pressure @ Shoe :

692 psi

DAILY COST

\$5,768.74

CUMULATIVE COST

\$12,384.81

RMN ENGINEER

Peter ARONETZ

CITY

Adelaide Office

TELEPHONE

08 8338 7266


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DRILLING FLUID REPORT

Report #	5	Date :	18-Dec-2006
Rig No	11	Spud :	14-Dec-2006
Depth	1640	to	1635 Metres

[illegible]

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DRILLING FLUID

REPORT

Report # 6

Date : 19-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1635 to 1641 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Brian HOLLAND

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

SEC-EBXSC1S

JET SIZE

20

20

20

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

349

PITS

515

CIRCULATION DATA

PUMP SIZE

5 1/2 X 7

Inches

CIRCULATION PRESSURE

630 psi

DRILL PIPE

SIZE 4.5

TYPE

16.6 #

Length

1457 Mtrs

DRILL PIPE

SIZE 4.50

TYPE

HW

Length

56.1 Mtrs

D/Collars

6.25

TOOLS

6.25

Length

99.9 28.4 Mtrs

MUD TYPE

KCI/POLYMER

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Below Shkr

Below Shkr

MUD PROPERTY SPECIFICATIONS

Mud Weight

8.6 - 9.4

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

Maintain fluid properties with additions of PAC-R, Sodium Sulphite + Biocide. No volume additions last 24 hours.

OPERATIONS SUMMARY

Complete making up directional BHA (#4), RIH to TOC @ 1635m

Commence sidetrack. Reach 1641m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

Premix (drill water)

Premix (recirc from sump)

Drill Water

Direct Recirc Sump

Other

TOTAL RECEIVED

FLUID DISPOSED

Desander

Desilter

Downhole

Dumped

Surface

TOTAL LOST

SUMMARY

INITIAL VOLUME

888

+ FLUID RECEIVED

- FLUID LOST

FLUID in STORAGE

FINAL VOLUME

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

Shaker #1

3x84

Degasser

Po'Boy

Desilter

10

Shaker #2

3x84

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

9.2

9.5

0.53

Desilter

0

Solids Analysis

% Vol

PPB

High Grav solids

4.9

46.8

Total LGS

0.5

4.6

Bentonite equiv.

4.4

40.3

Drilled Solids

1.2

11.3

Salt

n @ 22:00 Hrs

0.41

K @ 22:00 Hrs

10.39

Bit Hydraulics & Pressure Data

Jet Velocity

105

Impact force

150

HHP

16

HSI

0.3

Bit Press Loss

91

CSG Seat Frac Press

750 psi

Equiv. Mud Wt.

17.30 ppg

ECD

9.47 ppg

Max Pressure @ Shoe :

696 psi

DAILY COST

\$1,262.31

CUMULATIVE COST

\$16,955.42

RMN ENGINEER

Peter ARONETZ


CITY

Adelaide Office

TELEPHONE

08 8338 7266

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DRILLING FLUID

REPORT

Report #7

Date :20-Dec-2006

Rig No11

Spud :14-Dec-2006

Depth1641to1959Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Brian HOLLAND

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

SEC-EBXSC1S

JET SIZE

20

20

20

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

448

PITS

422

CIRCULATION DATA

PUMP SIZE

5 1/2 X 7

Inches

CIRCULATION PRESSURE

650

psi

DRILL PIPE

SIZE

4.5

TYPE

16.6 #

Length

Mtrs

INTERMEDIATE SET @

ft

TOTAL CIRCULATING VOL.

870

DRILL PIPE

SIZE

4.50

TYPE

HW

Length

56.1

Mtrs

PRODUCTION/ LINER Set @

ft

IN STORAGE

31

D/Collars

6.25

TOOLS

6.25

Length

99.9

28.4

Mtrs

MUD TYPE

KCI/POLYMER

BBL/MIN

7.21

GAL / MIN

303

ANN VEL. (ft/min)

143

DP DCs

224

224

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Below Shkr

Below Shkr

MUD PROPERTY SPECIFICATIONS

Mud Weight

8.6 - 9.4

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

Maintain fluid properties with additions of PAC-R, Sodium Sulphite + Biocide. Adding Soda Ash to reduce Ca+Mg level.

No volume additions last 24 hours. Received supplementary mud chemical supplies.

OPERATIONS SUMMARY

Continue sidetrack to 1659m. Run S/S survey, confirm sidetrack.

CO, Mix+ump KCI-based heavy pill, POOH for BHA change

Reach top of HWDP (bit @ 184m) at 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

FLUID DISPOSED

SUMMARY

Premix (drill water)

Desander

INITIAL VOLUME

864

Premix (recirc from sump)

Desilter

Drill Water

40

Downhole

3

+ FLUID RECEIVED

40

Direct Recirc Sump

Dumped

- FLUID LOST

3

Other

Surface

FLUID in STORAGE

31

TOTAL RECEIVED

40

TOTAL LOST

3

FINAL VOLUME

901

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

0

Shaker #1

2x140,1x84

20

Degasser

Po'Boy

0

Desilter

10

0

Shaker #2

2x140,1x84

20

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

0

Desilter

0

Solids Analysis

% Vol

PPB

High Grav solids

4.9

46.5

Total LGS

0.5

4.6

Bentonite equiv.

4.4

40.1

Drilled Solids

1.1

11.0

Salt

0.72

n @ 20:00 Hrs

1.96

K @ 20:00 Hrs

Bit Hydraulics & Pressure Data

Jet Velocity

105

Impact force

152

HHP

16

HSI

0.3

Bit Press Loss

92

CSG Seat Frac Press

750

psi

Equiv. Mud Wt.

17.30

ppg

ECD

9.39

ppg

Max Pressure @ Shoe :

696

psi

DAILY COST

\$2,974.48

CUMULATIVE COST

\$19,929.90

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DRILLING FLUID

REPORT

Report #8

Date : 21-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1695 to 1758 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Bruce PILAT

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

DBS-FM3553

JET SIZE

11

11

11

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

374

PITS

442

CIRCULATION DATA

PUMP SIZE

5.5 X 7

Inches

CIRCULATION PRESSURE

1000 psi

DRILL PIPE

SIZE 4.5

TYPE

16.6 #

Length

1578 Mtrs

DRILL PIPE

SIZE 4.50

TYPE

HW

Length

56.1 Mtrs

D/Collars

6.25

TOOLS

6.25

Length

99.9 23.7 Mtrs

MUD TYPE

KCI/POLYMER

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Below Shkr

Below Shkr

MUD PROPERTY SPECIFICATIONS

Mud Weight

8.6 - 9.4

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

Maintain fluid properties with additions of PAC-R, Sodium Sulphite + Biocide. Adding Soda Ash to reduce Ca+Mg level.

No fluid addition last 24 hours.

Start phasing in XANTHAN GUM to improve Low-End rheology.

Please note, that on the previous RPT the final depth on the RPT head should have read 1659m and not 1959m!

OPERATIONS SUMMARY

POOH to bit, lay down directional drilling tools. Make up packed BHA (#5), using 8½" DBS PDC bit type FM 3553, SN 10881881, 5x11 jets, TFA 0.463 in². Include 1xNB Stab and 2xStr Stab + 11x6¼" DC. Total BHA length: 179.66m, includes jars.

RIH to shoe, slip+cut d/line, RIH to 1630m, pick up kelly, ream+ wash to bottom @ 1659m, resume drilling. Stop at 1711m, CO, check for flow and run DS: N45°E at 1698m. Resume drilling.

Reach 1758m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

Premix (drill water)

Premix (recirc from sump)

Drill Water

Direct Recirc Sump

Other

TOTAL RECEIVED

FLUID DISPOSED

Desander

Desilter

Downhole

Dumped

Surface

TOTAL LOST

SUMMARY

INITIAL VOLUME

840

+ FLUID RECEIVED

- FLUID LOST

FLUID in STORAGE

FINAL VOLUME

824

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

8

Shaker #1

2x140,1x84

24

Degasser

Po'Boy

0

Desilter

10

0

Shaker #2

2x140,1x84

24

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

9.3

10.7

0.36

Desilter

0

Solids Analysis

% Vol

PPB

High Grav solids

5.9

55.5

Total LGS

0.6

5.8

Bentonite equiv.

5.2

47.5

Drilled Solids

1.2

11.5

Salt

n @ 23:00 Hrs

0.72

K @ 23:00 Hrs

1.80

Bit Hydraulics & Pressure Data

Jet Velocity

234

Impact force

385

HHP

91

HSI

1.6

Bit Press Loss

460

CSG Seat Frac Press

750 psi

Equiv. Mud Wt.

17.30 ppg

ECD

9.53 ppg

Max Pressure @ Shoe :

684 psi

DAILY COST

\$920.84

CUMULATIVE COST

\$20,850.74

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DRILLING FLUID

REPORT

Report # 9

Date : 22-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1758 to 1881 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Bruce PILAT

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

DBS-FM3553

JET SIZE

11

11

11

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

400

PITS

409

CIRCULATION DATA

PUMP SIZE

5.5 X 7

Inches

CIRCULATION PRESSURE

950 psi

DRILL PIPE

SIZE

4.5

TYPE

16.6 #

Length

1701 Mtrs

INTERMEDIATE SET @

ft

TOTAL CIRCULATING VOL.

809

DRILL PIPE

SIZE

4.50

TYPE

HW

Length

56.1 Mtrs

PRODUCTION/ LINER Set @

ft

IN STORAGE

76

PUMP MODEL

GD PZ-7

ASSUMED EFF

97 %

BOTTOMS UP

44 min

BBL/STK@ 100%

0.0514

STK / MIN

162

TOTAL CIRC. TIME

110 min

D/Collars

6.25

TOOLS

6.25

Length

99.9 23.7 Mtrs

MUD TYPE

KCI/POLYMER

BBL/MIN

8.08

GAL / MIN

339

ANN VEL. (ft/min)

160

DP DCs

251 251

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Suction

Suction

MUD PROPERTY SPECIFICATIONS

Mud Weight

8.6 - 9.4

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

Receive orders to reduce fluid density to 9.0ppg. Dump 25% of existing system, make up 290bbls new volume, using 2ppb PAC-R; add to remaining fluid, reduce WT to just below 9.0ppg. Prepare 2nd XTRA SWEEP.

OPERATIONS SUMMARY

Run DS @ 1746m - N45°E, drill to 1805m - DS @ 1791m - Misrun Drill to 1814m - DS @ 1792m - Misrun; drill to 1833m, DS @ 1819m N50°E. Drill to 1848m, tight hole on connection.; work and free string, mix+pump 25bbls XTRA-SWEEP, no indication of cauttings build-up. Drill to 1881m, CO and condition mud (reducing WT to 9.0ppg). Make 20 stand check trip to 1490m, hole cond. good, tight at 1848m. Back on bottom at 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

Premix (drill water)

290

Premix (recirc from sump)

Drill Water

80

Direct Recirc Sump

Other

TOTAL RECEIVED

370

FLUID DISPOSED

Desander

14

Desilter

65

Downhole

0

Dumped

230

Surface

TOTAL LOST

309

SUMMARY

INITIAL VOLUME

824

+ FLUID RECEIVED

370

- FLUID LOST

309

FLUID in STORAGE

76

FINAL VOLUME

885

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

21

Shaker #1

2x140,1x84

24

Degasser

Po'Boy

0

Desilter

10

18

Shaker #2

2x140,1x84

24

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

9.0

11.6

0.46

Desilter

9.0

10.9

2.54

Solids Analysis

% Vol

PPB

High Grav solids

Total LGS

3.7

34.6

Bentonite equiv.

0.4

3.8

Drilled Solids

3.2

29.4

Salt

0.6

5.8

n @ 23:55 Hrs

0.69

K @ 23:55 Hrs

1.64

Bit Hydraulics & Pressure Data

Jet Velocity

234

Impact force

368

HHP

87

HSI

1.5

Bit Press Loss

441

CSG Seat Frac Press

750 psi

Equiv. Mud Wt.

17.30 ppg

ECD

9.08 ppg

Max Pressure @ Shoe :

718 psi

DAILY COST

\$4,241.32

CUMULATIVE COST

\$25,092.06

RMN ENGINEER

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DRILLING FLUID REPORT

Report #	10	Date :	23-Dec-2006
Rig No	11	Spud :	14-Dec-2006
Depth	1881	to	1881 Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 1- RE-ST1	FIELD	PEP 162 / EL 4567
		LOCATION	GIPPSLAND
		STATE	VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)			CIRCULATION DATA					
BIT SIZE	TYPE		14	15	15	9 5/8	SURFACE SET @	1654	ft	HOLE	PITS	PUMP SIZE		CIRCULATION		200 psi	
8.50	MCP662		15	15	15							5.5	x 7	Inches	PRESSURE		
DRILL PIPE	TYPE	Length				INTERMEDIATE SET @	ft	TOTAL CIRCULATING VOL.	804	PUMP MODEL	ASSUMED EFF	BOTTOMS		87 min			
SIZE 4.5	16.6 #	1695 Mtrs										GD PZ-7	97		%	UP	
DRILL PIPE	TYPE	Length				PRODUCTION/ LINER Set @	ft	IN STORAGE	BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	TIME		206 min			
SIZE 4.50	HW	56.1 Mtrs										40	0.0514		82		
D/Collars	TOOLS	Length				MUD TYPE	KCI/POLYMER	BBL/MIN	GAL / MIN	ANN VEL.	DP	81					
6.25	6.25	99.9	29.9	Mtrs								(ft/min)	DCs	127	127		

SAMPLE FROM			MUD PROPERTIES			MUD PROPERTY SPECIFICATIONS		
TIME SAMPLE TAKEN			Suction	Suction		Mud Weight	< 9.0	API Filtrate
DEPTH (ft) - (m)				23:50		Plastic Vis	MIN	10 - 6
FLOWLINE TEMPERATURE				1,881		Yield Point	12 - 25	HPHT Filtrate
WEIGHT				38		pH	9.0 - 10.0	
FUNNEL VISCOSITY (sec/qt) API @				1.881		KCI	3%	PHPA
PLASTIC VISCOSITY cP @				8.95				
YIELD POINT (lb/100ft ²)				1.073				
GEL STRENGTHS (lb/100ft ²) 10 sec/10 min				44				
RHEOLOGY				12				
RHEOLOGY				8				
RHEOLOGY				0.1				
FILTRATE API (cc's/30 min)				32				
HPHT FILTRATE (cc's/30 min) @				14				
CAKE THICKNESS API : HPHT (32nd in)				1				
SOLIDS CONTENT (% by Volume)				3.3				
LIQUID CONTENT (% by Volume) OIL/WATER				0				
SAND CONTENT (% by Vol.)				96.7				
METHYLENE BLUE CAPACITY (ppb equiv.)				0.10				
pH				12.0				
ALKALINITY MUD (Pm)				9.5				
ALKALINITY FILTRATE (Pf / Mf)				1.34				
CHLORIDE (mg/L)				0.08				
TOTAL HARDNESS AS CALCIUM (mg/L)				1.25				
SULPHITE (mg/L)				12,100				
K+ (mg/L)				480				
KCI (% by Wt.)				50				
PHPA (ppb)				14,700				
				2.8				
				0.00				

OBSERVATIONS		
Change shaker screens to 2x175, 1x140; overhaul mixing pump.		
No volume additions made or chemicals used last 24 hours.		
Jet numbers+sizes indicated above are approximations to result in the reported TFA of 1.010in ² .		


OPERATIONS SUMMARY		
Pump 25bbblsXTRA-SWEEP, CO, run DS @ 1869m - N52°E. POOH.		
Lay out stabs+NMDC. M/U RTTS packer, RIH to 467m, conduct CSG pressure test to 2500psi. POOH+lay out packer.		
Make up 18m core barrel, using CB1, MCP662, S/N 8492C		
RIH to 1881m, washing down the last 3 singles; Circulate hole clean.		

Mud Accounting (bbls)						Solids Control Equipment					
FLUID BUILT & RECEIVED			FLUID DISPOSED			SUMMARY			Type	Hrs	Size
Premix (drill water)			Desander	2		INITIAL VOLUME	885		Centrifuge	N/A	
Premix (recirc from sump)			Desilter	2					Desander	2	2
Drill Water			Downhole	3		+ FLUID RECEIVED			Shaker #1	2x175,1x140	12
Direct Recirc Sump			Dumped	35		- FLUID LOST	42		Desilter	10	2
Other			Surface			FLUID in STORAGE	40				
TOTAL RECEIVED			TOTAL LOST	42		FINAL VOLUME	844				

Product	Price	Start	Received	Used	Close	Cost	Solids Analysis			Bit Hydraulics & Pressure Data	
								% Vol	PPB	Jet Velocity 54	
							High Grav solids			Impact force 43	
							Total LGS	3.3	31.4	HHP 2	
							Bentonite equiv.	1.1	9.9	HSI 0.0	
							Drilled Solids	2.2	20.2	Bit Press Loss 24	
							Salt	0.7	7.0	CSG Seat Frac Press 750 psi	
							n @ 23:50 Hrs	0.68		Equiv. Mud Wt. 17.30 ppg	
							K @ 23:50 Hrs	1.49		ECD 9.03 ppg	
										Max Pressure @ Shoe : 718 psi	
							DAILY COST			CUMULATIVE COST	
										\$25,092.06	
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RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266
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DRILLING FLUID

REPORT

Report # 11

Date : 24-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1881 to 1889 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Bruce PILAT

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

MCP662

14

15

15

9 5/8

SURFACE SET @

1654

ft

504

M

CASING

INTERMEDIATE SET @

ft

MUD VOLUME (BBL)

HOLE

401

PITS

392

CIRCULATION DATA

PUMP SIZE

5.5 X 7

Inches

CIRCULATION PRESSURE

400

psi

DRILL PIPE

SIZE

4.5

TYPE

16.6 #

Length

1703

Mtrs

DRILL PIPE

SIZE

4.50

TYPE

HW

Length

56.1

Mtrs

D/Collars

6.25

TOOLS

6.25

Length

99.9

29.9

Mtrs

MUD TYPE

KCI/POLYMER

BBL/MIN

4.74

GAL / MIN

199

ANN VEL.

(ft/min)

94

DP

DCs

147

147

SAMPLE FROM

TIME SAMPLE TAKEN

DEPTH (ft) - (m)

FLOWLINE TEMPERATURE

WEIGHT

FUNNEL VISCOSITY (sec/qt) API @

PLASTIC VISCOSITY cP @

YIELD POINT (lb/100ft²)

GEL STRENGTHS (lb/100ft²) 10 sec/10 min

RHEOLOGY

RHEOLOGY

RHEOLOGY

FILTRATE API (cc's/30 min)

HPHT FILTRATE (cc's/30 min) @

CAKE THICKNESS API : HPHT (32nd in)

SOLIDS CONTENT (% by Volume)

LIQUID CONTENT (% by Volume) OIL/WATER

SAND CONTENT (% by Vol.)

METHYLENE BLUE CAPACITY (ppb equiv.)

pH

ALKALINITY MUD (Pm)

ALKALINITY FILTRATE (Pf / Mf)

CHLORIDE (mg/L)

TOTAL HARDNESS AS CALCIUM (mg/L)

SULPHITE (mg/L)

K+ (mg/L)

KCI (% by Wt.)

PHPA (ppb)

MUD PROPERTIES

Below Shkr

Below Shkr

22:30

1,889

####

41

105

9.00

1.079

47

13

9

0

1

35

22

17

10

1

0

7.0

--

1

--

4.0

0

96.0

0.15

12.0

9.2

1.15

0.10

1.15

12,300

240

150

12,600

2.4

0.00

MUD PROPERTY SPECIFICATIONS

Mud Weight

≤ 9.0

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

Maintain fluid properties, with a view to prevent increase of density.

Adding ~5bbls/hr water @ shakers, running all solids-control equipment.

OPERATIONS SUMMARY

Cut core # 1 from 1881 to 89m, there incr. P/Press, stop coring, POOH

Recover 6.6m core, 82.5% of core cut. Service core barrel, M/U+RIH

to 1805m, wash to bottom @ 1889m. Prepare to start coring.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

FLUID DISPOSED

SUMMARY

Premix (drill water)

Desander

11

INITIAL VOLUME

844

Premix (recirc from sump)

Desilter

3

Drill Water

45

Downhole

0

+ FLUID RECEIVED

45

Direct Recirc Sump

Dumped

- FLUID LOST

13

Other

Surface

FLUID in STORAGE

82

TOTAL RECEIVED

45

TOTAL LOST

13

FINAL VOLUME

875

Solids Control Equipment

Type

Hrs

Cones

Hrs

Size

Hrs

Centrifuge

N/A

Desander

2

8

Shaker #1 2x175,1x140

18

Degasser

Po'Boy

0

Desilter

10

8

Shaker #2 2x175,1x140

18

Overflow (ppg)

Underflow (ppg)

Output (Gal/Min.)

Desander

9.0

9.5

0.92

Desilter

9.0

10.5

0.24

Product

Price

Start

Received

Used

Close

Cost

AMC Biocide G

\$ 188.33

18

1

17

\$ 188.33

AMC Defoamer

\$ 146.40

8

2

6

\$ 292.80

AMC PAC-R

\$ 162.49

89

4

85

\$ 649.96

Lime

\$ 9.35

12

1

11

\$ 9.35

Potassium Chloride (

\$ 20.12

450

2

448

\$ 40.24

Soda Ash

\$ 18.30

17

4

13

\$ 73.20

Sodium Sulphite

\$ 37.68

23

2

21

\$ 75.36

Xanthan Gum

\$ 362.19

27

2

25

\$ 724.38

Solids Analysis

% Vol

PPB

High Grav solids

4.0

37.5

Total LGS

1.0

9.1

Bentonite equiv.

3.0

26.9

Drilled Solids

0.7

7.1

Salt

n @ 22:30 Hrs

0.67

K @ 22:30 Hrs

1.73

Bit Hydraulics & Pressure Data

Jet Velocity

63

Impact force

58

HHP

4

HSI

0.1

Bit Press Loss

32

CSG Seat Frac Press

750

psi

Equiv. Mud Wt.

17.30

ppg

ECD

9.10

ppg

Max Pressure @ Shoe :

714

psi

DAILY COST

\$2,053.62

CUMULATIVE COST

\$27,145.68

RMN ENGINEER

Peter ARONETZ

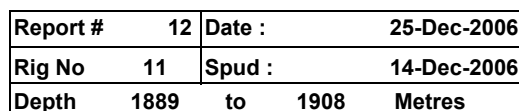
CITY

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DRILLING FLUID

REPORT

Report # 14

Date : 27-Dec-2006

Rig No 11

Spud : 14-Dec-2006

Depth 1980 to 1980 Metres

OPERATOR

KAROON Gas / UPSTREAM Petroleum

CONTRACTOR

CENTURY Resources

REPORT FOR

Bruce PILAT

REPORT FOR

Cesar MIACO

WELL NAME AND No

MEGASCOLIDES 1- RE-ST1

FIELD

PEP 162 / EL 4567

LOCATION

GIPPSLAND

STATE

VICTORIA

DRILLING ASSEMBLY

BIT SIZE

8.50

TYPE

Length

JET SIZE

CASING

9 5/8

SURFACE SET @

1654

ft

504

M

MUD VOLUME (BBL)

HOLE

466

PITS

374

CIRCULATION DATA

PUMP SIZE

5.5 X 7

Inches

CIRCULATION PRESSURE

psi

DRILL PIPE

SIZE

4.5

TYPE

16.6 #

Length

185

Mtrs

INTERMEDIATE SET @

ft

TOTAL CIRCULATING VOL.

840

PUMP MODEL

GD PZ-7

ASSUMED EFF

97

%

DRILL PIPE

SIZE

TYPE

HW

Length

0

Mtrs

PRODUCTION/ LINER Set @

M

IN STORAGE

58

BBL/STK@ 100%

0.0514

STK / MIN

TOTAL CIRC. TIME

min

D/Collars

TOOLS

3.50

Length

0

95.0

Mtrs

MUD TYPE

KCI/POLYMER

BBL/MIN

GAL / MIN

ANN VEL. (ft/min)

DP DCs

MUD PROPERTIES

Below Shkr

Below Shkr

MUD PROPERTY SPECIFICATIONS

Mud Weight

≤ 9.0

API Filtrate

10 - 6

HPHT Filtrate

--

Plastic Vis

MIN

Yield Point

12 - 25

pH

9.0 - 10.0

KCI

3%

PHPA

NIL

Sulphites

80 - 150

OBSERVATIONS

No chemical or fluid additions (other than precipitation) last 24 hours.

Drilling fluid engineer tentatively to be released Fri. morning, Dec 29.

OPERATIONS SUMMARY

Run PRECISION E-logs. Received orders for well to be P & A.

RIH with BHA and lay out DC's + HWDP.

Pick up 10 lengths 3½" TBG as CMT stinger, RIH on 4½"DP to 282m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED

FLUID DISPOSED

SUMMARY

Premix (drill water)

Desander

INITIAL VOLUME

888

Centrifuge

N/A

Desander

2

Shaker #1 2x175,1x140

0

Premix (recirc from sump)

Desilter

+

FLUID RECEIVED

10

Degasser

Po'Boy

0

Desilter

10

Shaker #2 2x175,1x140

0

Drill Water

10

Downhole

0

-

FLUID LOST

0

Other

Dumped

FLUID in STORAGE

58

Direct Recirc Sump

Surface

TOTAL RECEIVED

10

TOTAL LOST

0

FINAL VOLUME

898

Product

Price

Start

Received

Used

Close

Cost

Solids Analysis

% Vol

PPB

Bit Hydraulics & Pressure Data

Jet Velocity

Impact force

HHP/in²

Bit Press. Loss

CSG Seat Frac Press. 750 psi

Equiv. Mud Wt. 17.30 ppg

ECD

Max Pressure @ Shoe : 709 psi

DAILY COST

CUMULATIVE COST

\$33,848.99

RMN ENGINEER

Peter ARONETZ

CITY

Adelaide Office

TELEPHONE

08 8338 7266

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DRILLING FLUID REPORT

Report #	15	Date :	28-Dec-2006
Rig No	11	Spud :	14-Dec-2006
Depth	1980	to	1980 Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources	
REPORT FOR	Bruce PILAT	REPORT FOR	Cesar MIACO	
WELL NAME AND No	MEGASCOLIDES 1- RE-ST1	FIELD PEP 162 / EL 4567	LOCATION GIPPSLAND	STATE VICTORIA

DRILLING ASSEMBLY				JET SIZE			CASING			MUD VOLUME (BBL)			CIRCULATION DATA					
BIT SIZE	TYPE				9 5/8	SURFACE	1654	ft	HOLE	PITS	PUMP SIZE		CIRCULATION					
8.50						SET @	504	M	464	395	5.5 X 7	Inches	PRESSURE	psi				
DRILL PIPE SIZE 4.5	TYPE	Length				INTERMEDIATE		ft	TOTAL CIRCULATING VOL.			PUMP MODEL	ASSUMED EFF	BOTTOMS				
	16.6 #	280	Mtrs			SET @		M	859				GD PZ-7	97 %	UP			
DRILL PIPE SIZE	TYPE	Length				PRODUCTION/ LINER Set @		ft	IN STORAGE			BBL/STK@ 100%	STK / MIN	TOTAL CIRC.				
	HW	0	Mtrs					M	170				0.0514		TIME			
D/Collars	TOOLS	Length				MUD TYPE						BBL/MIN		GAL / MIN	ANN VEL.	DP		
	3.50	0	95.0	Mtrs		KCI/POLYMER									(ft/min)	DCs		

				MUD PROPERTIES		MUD PROPERTY SPECIFICATIONS							
SAMPLE FROM				Below Shkr		Below Shkr		Mud Weight	≤ 9.0	API Filtrate	10 - 6	HPHT Filtrate	--
TIME SAMPLE TAKEN						15:00		Plastic Vis	MIN	Yield Point	12 - 25	pH	9.0 - 10.0
DEPTH (ft) - (m)				Metres		1,980		KCI	3%	PHPA	NIL	Sulphites	80 - 150
FLOWLINE TEMPERATURE				°C	°F	--		OBSERVATIONS					
WEIGHT				ppg	SG	9.05		Mix HiVis pills as required, no other fluid treatment.					
FUNNEL VISCOSITY (sec/qt) API @				-- °C	57		This is the final report for this well. RMN & AMC thank you for your business!						
PLASTIC VISCOSITY cP @				45 °C	17								
YIELD POINT (lb/100ft²)				16									
GEL STRENGTHS (lb/100ft²) 10 sec/10 min				2 2									
RHEOLOGY				θ 600	θ 300	50							33
RHEOLOGY				θ 200	θ 100	26							16
RHEOLOGY				θ 6	θ 3	3							2
FILTRATE API (cc's/30 min)				6.6									
HPHT FILTRATE (cc's/30 min) @				-- °F	--								
CAKE THICKNESS API : HPHT (32nd in)					--	1							--
SOLIDS CONTENT (% by Volume)				4.3									
LIQUID CONTENT (% by Volume) OIL/WATER						0	95.7						
SAND CONTENT (% by Vol.)				0.10		OPERATIONS SUMMARY RIH cementing string to 1890m, mix+spot 15bbls ViVis pill, pull back to 1840m and set plug 1 to ~1740m. Pull back to 1640m, rev.circulate. POOH to 600m, laying down DP. Mix+spot 15bbls HiVis pill, pull back to 550m, set plug 2. Pull back to 350m and rev. circulate. After 4 hrs, RIH+tag CMT @ 418m. POOH, laying down DP to 375m @ 24:00hrs.							
METHYLENE BLUE CAPACITY (ppb equiv.)				7.0									
pH				9.8									
ALKALINITY MUD (Pm)				0.90									
ALKALINITY FILTRATE (Pf / Mf)												0.14	1.25
CHLORIDE (mg/L)				11,700									
TOTAL HARDNESS AS CALCIUM (mg/L)				180									
SULPHITE (mg/L)				100									
K+ (mg/L)				12,100									
KCI (% by Wt.)				2.3									
PHPA (ppb)				0.00									

Mud Accounting (bbbls)						Solids Control Equipment							
FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY		Type	Hrs		Cones	Hrs		Size	Hrs
Premix (drill water)		Desander		INITIAL VOLUME	898	Centrifuge	N/A		Desander	2	0	Shaker #1 2x175,1x140	6
Premix (recirc from sump)		Desilter				Degasser	Po'Boy	0	Desilter	10	0	Shaker #2 2x175,1x140	6
Drill Water		Downhole	4	+ FLUID RECEIVED	145								
Direct Recirc Sump		Dumped	10	- FLUID LOST	14								
Other	145	Surface		FLUID in STORAGE	170								
TOTAL RECEIVED	145	TOTAL LOST	14	FINAL VOLUME	1,029	Desander			0				
						Desilter			0				

Product	Price	Start	Received	Used	Close	Cost	Solids Analysis			Bit Hydraulics & Pressure Data	
Xanthan Gum	\$ 362.19	18		2	16	\$ 724.38		% Vol	PPB	Jet Velocity	
							High Grav solids			Impact force	
							Total LGS	4.3	41.1	HHP	
							Bentonite equiv.	0.3	3.0	HHP/in²	
							Drilled Solids	4.0	36.4	Bit Press. Loss	
							Salt	0.7	6.8	CSG Seat Frac Press. 750 psi	
							n @ 15:00 Hrs	0.60		Equiv. Mud Wt.	17.30 ppq
							K @ 15:00 Hrs	4.02		ECD	
										Max Pressure @ Shoe : 709 psi	
							DAILY COST			CUMULATIVE COST	
							\$724.38			\$34,573.37	

Operator : Karoon Gas
Well : Megascoides 1 – Re St1
Rig : Century Resources # 11
Start Ops : 14 December 2006 - 00:00 Hrs
Rig Release : 29 December 2006 - 16:00 Hrs



APPENDIX A



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Clay Study
For
Karooon Gas
Megascolides #1 Re-Entry
Side Track #1

Prepared by:
Sandeep Alphonso
Nick Santarelli
January 2007



Introduction

Washed shale samples from the Megascolides #1 sidetrack were sent to the AMC lab in Adelaide for testing. Samples were from 1650m, 1700m, 1750m, 1800m, and 1850m. The well had been drilled with a low % KCl Polymer fluid, and concerns that the samples had been exposed to KCl may have negated the effects of lab testing for fluid compatibility.

Unfortunately, dried and screened samples are not the best way to determine shale properties as they have been washed and are not really representative of the drilled structure. Bulk samples from the shakers – large uncut and unsorted samples, hole fill, cavings – are the best subjects for this type of test as some structural definition can be seen and large volumes of unaffected shale can be cut out from the surface affected by mud and water.

However, the washed samples did give some insight into the nature of the clays, and have confirmed some conclusions made in the past on other drilling projects in the area.

Lab Methodology

Samples were all mixed together in a tub and mixed until consistent. Some fresh water was added to the cuttings until they showed some plasticity, and the samples were formed into 100 gm balls (dried). The balls were dried in an oven at 200 deg F for 3 hours until they started to crack.

Samples were then placed into a variety of fluids as follows:

1. 10% KCl Brine
2. 10% KCl Polymer
3. 10% KCl PHPA Polymer
4. Fresh Water Polymer (natural Polymer)
5. 10% KCl Polymer 6% Glycol
6. Fresh Water Polymer 6% Glycol.

Samples were placed in hot rolling chambers and hot rolled at 200 deg F for 14 hours, then allowed to cool.

Photographs of the samples were taken both before and after testing. K⁺ ion measurements were taken after testing in order to determine sensitivity of the clays to potassium.



Results

As expected, all samples returned in a disassociated state. This was expected as the re-formed samples are never as good a laboratory subject as original “chunks” from the well-bore as they have not been formed under the same pressures.

Samples from the KCl brine and 10% KCl Polymer appeared the most discreet – they looked like the cuttings had maintained their individual structure. The remaining samples returned in various states of “sludge”. These observations cannot be used as a determining factor for fluid compatibility, other than to say the presence of KCl helped to maintain cutting integrity.

The most telling observations were made in the K⁺ content of the fluid, and the % weight loss of recovered samples.

All samples using KCl in the mud make up showed not appreciable sign of K⁺ take-up. In itself, this does not tell us much, but in combination of the sample weight loss, it is significant. The loss of sample through dispersion was as high as 71% (KCl Brine), indicating highly dispersible clays.

A clay must hydrate before it can disperse, and the fact that it dispersed in a 10% KCl solution after having been drilled with a KCl mud shows how little the K⁺ ion affects these clays.

The KCl brine solution showed the highest sample weight loss, the KCl mud with the most inhibitive coating polymers and glycol (also coating) showed the least weight loss (35.4%). In all samples, KCl Polymer muds performed better at minimising dispersion than the fresh water muds.



R M N Drilling Fluids

Photo Results

Sample #1

BEFORE
TESTING



AFTER TESTING





R M N Drilling Fluids

Sample #2

BEFORE
TESTING



AFTER
TESTING





R M N Drilling Fluids

Sample #3

BEFORE
TESTING



AFTER
TESTING





R M N Drilling Fluids

Sample #4

BEFORE
TESTING



AFTER
TESTING





R M N Drilling Fluids

Sample #5

SAMPLE 5

**BEFORE
TESTING**



**AFTER
TESTING**





R M N Drilling Fluids

Sample #6

BEFORE
TESTING



AFTER
TESTING





Tabulated Results

SAMPLE NO.	FLUID TYPE	FLUID FORMULA								KCl %	KCl % Loss	Wt In (gms)	Wt Out (gms)	% Loss	OBSERVATIONS
		KCl (ppb)	PAC R (ppb)	PAC L (ppb)	PHPA (ppb)	Xnthn G (ppb)	A-Dex (ppb)	MgO (ppb)	GLYCOL %						
1	10% KCl	40						0.5		10	0	106.36	30	71.8	<i>Sample appeared in good condition. Cuttings discreet, but 72% sample loss due to dispersion.</i>
2	10% KCl/ Polymer	40	1	2		0.25		0.5		10	0	104.16	41.12	60.5	<i>Sample appeared in good condition. Cuttings discreet, but 60% sample loss due to dispersion.</i>
3	10% KCl / Polymer / PHPA	40	1	2	0.75	0.25		0.5		10	0	101.38	46.16	54.5	<i>PHPA improved dispersion loss marginally to 55%, however samples appeared mushy.</i>
4	Fresh Water/ Starch		1			0.25	3	0.5				100.8	37.97	62.3	<i>Next highest loss compared with KCl Brine at 62%, samples mushy.</i>
5	10% KCl/ Polymer/ PHPA/ Glycol	40	1	2	0.75	0.25		0.5	6	10	0	102.2	66.06	35.4	<i>Lowest loss rate at 35% but samples very mushy.</i>
6	Fresh Water/ Starch/ Glycol		1			0.25	3	0.5	6			102.39	39.33	61.6	<i>Third highest loss at 61%, samples very mushy.</i>

NOTES: KCl loss in all samples containing KCl too low to measure, indicating high K+ not required to stop dispersion. Dispersion of 35-72% of samples indicate clays are reactive even after having been drilled with a KCl mud. This is consistent with observations made in the field for other operators, indicating dispersion and not ractiveness is the issue with these clays. Level of dispersion indicates the clays are highly reactive and hydrate quickly. Chemical inhibition alone is not necessarily