

**DRILLING MORNING REPORT # 38**  
**Longtom-3 H**

16 Aug 2006

From: John Wrenn/Chris Roots  
To: John Ah-Cann

Well Data							
Country	Australia	MDBRT	3338.0m	Cur. Hole Size	9.500in	AFE Cost	\$40,292,054
Field	Gippsland Basin	TVDBRT	2540.8m	Last Casing OD	10.750in	AFE No.	LSDED01/0
Drill Co.	DOGC	Progress	279.0m	Shoe TVDBRT	2184.3m	Daily Cost	\$401,621
Rig	OCEAN PATRIOT	Days from spud	36.37	Shoe MDBRT	2374.3m	Cum Cost	\$33,878,824
Wtr Dpth (LAT)	56.7m	Days on well	38.00	FIT/LOT:	15.00ppg/	Days Since Last LTI	71
RT-ASL (LAT)	21.5m	Planned TD MD	5834.0m				
RT-ML	78.2m	Planned TD TVDRT	2458.0m				
Current Op @ 0600		Drilling ahead in 9 1/2" hole at 3416m					
Planned Op		Drill ahead in 9 1/2" hole as per deviation plan					

Summary of Period 0000 to 2400 Hrs
Drilled 9 1/2" directional hole f/ 3059 to 3338mrt.

FORMATION	
Name	Top
300 sand	
200 sand	
100 sand	
Emperor Volcanics	
TD	

Operations For Period 0000 Hrs to 2400 Hrs on 16 Aug 2006							
Phse	Cls (RC)	Op	From	To	Hrs	Depth	Activity Description
PH	P	DA	0000	2400	24.00	3338.0m	Continued to drill 9 1/2" directional hole f/ 3059 to 3338mrt, building inclination f/ 68 to 84 deg, according to directional plan : Longtom-3 H Rev 4.

Operations For Period 0000 Hrs to 0600 Hrs on 17 Aug 2006							
Phse	Cls (RC)	Op	From	To	Hrs	Depth	Activity Description
PH	P	DA	0000	0400	4.00	3395.0m	Continued to drill 9 1/2" directional hole f/ 3338 to 3395mrt, building inclination f/ 68 to 84 deg, according to directional plan : Longtom-3 H Rev 4.
PH	P	DA	0400	0600	2.00	3576.0m	(IN PROGRESS) Received instructions from NEXUS representative not to land the well at the intended TVD. Drilled 9 1/2" hole from 3395m MDRT to 3576m MDRT as per directional plan Rev 5. 685gpm/ 4300gpm/ 160rpm/ 9-11klbs tq/ 13-20klbs WOB/ String wt: 250klbs rotating/ 280klbs up wt/ 250klbs down wt. @3573.26m MDRT/ 2549.73m TVD/ 90.54 deg incl/ 186.93 deg azim/ No hole problems observed during drilling or connections.

Phase Data to 2400hrs, 16 Aug 2006						
Phase	Phase Hrs	Start On	Finish On	Cum Hrs	Cum Days	Max Depth
PRODUCTION HOLE (1)(PH)	120	12 Aug 2006	16 Aug 2006	120.00	5.000	3338.0m

WBM Data								Cost Today \$ 200384		
Mud Type:	Petrofree	API FL:	Cl:	Solids(%vol):	19%	Viscosity	68sec/qt			
Sample-From:	Active pit	Filter-Cake:	K+C*1000:	H2O:	14%	PV	47cp			
Time:	21:30	HTHP-FL:	3.2cc/30min	Oil(%):	65%	YP	17lb/100ft²			
Weight:	11.90ppg	HTHP-cake:	2/32nd"	Hard/Ca:		Gels 10s	42			
Temp:	91C°			MBT:		Gels 10m	52			
				PM:		Fann 003	7			
				PF:		Fann 006	9			
						Fann 100	28			
						Fann 200				
						Fann 300	64			
						Fann 600	111			
Comment	Total product costs to date \$ 1,493,656.41 Cumulative total \$ 1,563,356.41 (including engineer)									

<b>Bit # 11</b>				Wear	I	O1	D	L	B	G	O2	R
Bitwear Comments:												
Size ("):	9.500in	IADC#	M323	<b>Nozzles</b>		<b>Drilled over last 24 hrs</b>			<b>Calculated over Bit Run</b>			
Mfr:	SMITH BITS	WOB(avg)	14.00klb	No.	Size	Progress	279.0m	Cum. Progress	954.0m			
Type:	PDC	RPM(avg)	165			On Bottom Hrs	17.8h	Cum. On Btm Hrs	69.7h			
Serial No.:	JW8581	F.Rate	16.90bpm			IADC Drill Hrs	21.7h	Cum IADC Drill Hrs	82.2h			
Bit Model	M716PXC	SPP	4250psi			Total Revs	681000	Cum Total Revs	1482000			
Depth In	2384.0m	HSI	0.81HSI			ROP(avg)	15.67 m/hr	ROP(avg)	13.69 m/hr			
Depth Out		TFA	2.149									
Bit Comment		Drilled Float equipment										

<b>BHA # 13</b>												
Weight(Wet)	30.00klb	Length	210.7m	Torque(max)	13800ft-lbs	D.C. (1) Ann Velocity						
Wt Below Jar(Wet)	10.00klb	String	260.00klb	Torque(Off.Btm)	7700ft-lbs	D.C. (2) Ann Velocity						
Drilling Jar Hours	83	Pick-Up	285.00klb	Torque(On.Btm)	10400ft-lbs	H.W.D.P. Ann Velocity						
		Slack-Off	250.00klb			D.P. Ann Velocity						

BHA Run Description PD Exceed Rotary Steerable System

BHA Run Comment

Equipment	Length	OD	ID	Top Conn	Serial #	Comment
Bit	0.30m	9.500in		4 1/2 Reg pin	JW8581	
Power drive Xceed	7.66m	6.375in		5 1/2 FH box	CAS 111	
Ecoscope	8.05m	9.375in		5 1/2 FH box	779	
Telescope x/o	8.51m	6.687in		NC50 box	FA 28	
5" Non-mag HWDP	9.09m	6.375in	2.750in	NC50 box	4449	
5in HWDP	46.61m	6.250in	3.000in	NC50 box		
Drilling Jars	9.40m	6.375in	2.750in	NC50 box	DAH02247	
5in HWDP		6.500in	3.000in	NC50 box		
	112.02m					

**Survey**

MD (m)	Incl (deg)	Azim (deg)	TVD (m)	Vsec (deg)	N-S (m)	E-W (m)	DLS (deg/30m)	Tool Type
3087.00	70.4	194.1						MWD
3116.03	72.1	193.6						MWD
3145.00	73.7	191.0						MWD
3173.42	75.0	189.7						MWD
3202.02	76.2	188.5						MWD
3229.90	78.2	189.0						MWD
3257.85	79.6	189.7						MWD
3287.16	79.8	188.5						MWD
3316.29	81.4	188.9						MWD

**Bulk Stocks**

Name	Unit	In	Used	Adjust	Balance
Barite Bulk	MT	180	72	0	255.6
Bentonite Bulk	MT	0	0	0	21.8
Diesel	m3	0	25.6	0	490.5
Fresh Water	m3	14.9	26.7	0	391.1
Drill Water	m3	0	26.2	0	618.7
Cement G	MT	0	0	0	33.5
Cement HT (Silica)	MT	0	0	0	0.0
Brine	m3	0	0	0	0.0

Pumps																	
Pump Data - Last 24 Hrs								Slow Pump Data									
No.	Type	Liner (in)	MW (ppg)	Eff (%)	SPM (SPM)	SPP (psi)	Flow (bpm)	Depth (m)	SPM1 (SPM)	SPP1 (psi)	Flow1 (bpm)	SPM2 (SPM)	SPP2 (psi)	Flow2 (bpm)	SPM3 (SPM)	SPP3 (psi)	Flow3 (bpm)
1	A1700PT	5.500	12.00	97		4250			30			40			50		
2	12P 160	6.000	12.00	97	83	4250	8.40	3279.0	30	400		40	500		50	600	
3	12P 160	6.000	12.00	97	87	4250	8.80	3279.0	30	425		40	500		50	575	

Casing						
OD (in)	Csg Shoe MD (m)	Csg Shoe TVD (m)	Csg Landing Depth MD (m)	Csg Landing Depth TVD (m)	LOT/FIT (ppg)	
10 3/4"	2374.30	2184.30	75.30	75.30	15.00	

Personnel On Board		
Company	Pax	Comment
NEXUS	7	18 NEXUS VIP day visitors
DOGC	52	45 x DOGC 3x DOGC extra ( , 1 x crane op, 1 x dogman, 1 x welder) 5 x DOGC other (2 x painter, 3 x union hydraulic,)
DOWELL SCHLUMBERGER	2	
FUGRO SURVEY LTD (ROV)	3	
SCHLUMBERGER ANADRIL	6	3 x MWD, 3 x DD.
BAROID	2	
ESS	8	
GEOSERVICES OVERSEAS S.A.	6	
Q-Tech	1	
K & M	2	
Brandt	1	
West Engineering	1	
Total		91

HSE Summary					
Events	Date of last	Days Since	Descr.	Remarks	
Last BOP Test	04 Aug 2006				
Abandon Drill	13 Aug 2006	3 Days	Weekly abandon rig drill		
Environmental Issue	15 Aug 2006	1 Day	Spill containment drill	Held drill with both crews	
Fire Drill	13 Aug 2006	3 Days	Weekly fire drill		
JSA	16 Aug 2006	0 Days	Drillcrew 4 , deckcrew 7, Mechanic 5, Marine 1		
Man Overboard Drill	21 Jul 2006	26 Days	Monthly man overboard drill		
Safety Meeting	13 Aug 2006	3 Days	Weekly crew safety meetings	0100/1300/1900hrs	
STOP Card	16 Aug 2006	0 Days	Safe 6, Unsafe 3		
Trip / Kick Drill	13 Aug 2006	3 Days	Trip drill	Held trip drill at shoe on trip in hole	

Shakers, Volumes and Losses Data						
Available	3,194bbl	Losses	224bbl	Equip.	Descr.	Mesh Size
Active	546bbl	Down-hole	28bbl	Centrifuge1	Brandt HS 3400	
Hole	982bbl	Surface	52bbl	Shaker1	VSM 100	10/210/210/200/200
Reserve	1,304bbl	Centrifuge	62bbl	Centrifuge1	Brandt HS 3400	
Petrofree ester	362bbl	Retained on cuttings	82bbl	Shaker1	VSM 100	10/260/260/230/230
				Shaker2	VSM 100	10/260/260/200/200
				Centrifuge2	Brandt HS 3400	
				Shaker2	VSM 100	10/260/260/230/230
				Centrifuge2	Brandt HS 3400	
				Shaker3	VSM 100	10/230/230/200/200
				Shaker3	VSM 100	10/260/260/200/230
				Shaker4	VSM 100	10/210/210/200/200
Comment LGS elevated, unable to run centrifuges as required due to problems with barite delivery.						

Shakers, Volumes and Losses Data			
	Equip.	Descr.	Mesh Size
	Shaker4	VSM 100	10/260/200/200
Comment LGS elevated, unable to run centrifuges as required due to problems with barite delivery.			

Marine								Rig Support	
Weather on 16 Aug 2006									
Visibility	Wind Speed	Wind Dir.	Pressure	Air Temp.	Wave Height	Wave Dir.	Wave Period	Anchors	Tension (klb)
10.0nm	8kn	0.0deg	1015.0mbar	15C°	0.5m	0.0deg		1	245.0
Rig Dir.	Ris. Tension	VDL	Swell Height	Swell Dir.	Swell Period	Weather Comments		2	157.0
270.0deg	300.00klb	4815.00klb	1.0m	270.0deg				3	251.0
Comments								4	289.0
								5	373.0
								6	273.0
								7	209.0
								8	227.0

Vessel Name	Arrived (Date/Time)	Departed (Date/Time)	Status	Bulks				
				Item	Unit	Used	Trf. to Rig	Qty. Remaining
Far Grip		09:00 13th Aug	In port	Diesel	m3			665
				Fresh Water	m3			115
				Drill Water	m3			500
				Cement G	mt			0
				Cement HT (Silica)	mt			0
				Barite Bulk	mt			0
				Bentonite Bulk	mt			0
					bbls			54
					bbls			0
				Brine	bbls			0
Pacific Wrangler	14:30hrs 12th Aug		Standby on location	Diesel	m3			374
				Fresh Water	m3			239
				Drill Water	m3			360
				Cement G	mt			79.5
				Cement HT (Silica)	mt			0
				Barite Bulk	mt			180
				Bentonite Bulk	mt			0
					bbls			1206
					bbls			318
				Brine	bbls			0
Transferred Barite & SBM to the rig								

Helicopter Movement				
Flight #	Company	Arr/Dep. Time	Pax In/Out	Comment
1	BRISTOW HELICOPTERS AUSTRALIA PTY LTD	11:30 / 16:05	18 / 18	Usable fuel remaining: 2315 Litres NEXUS VIP visit