Santos — GALLOWAY - 1

DAILY GEOLOGICAL REPORT

DGR 24

Date:	21 August 2006	**Licence / State:**	P39 (V) / VIC
Report Period:	06:00 - 06:00 Hours	**Rig:**	Ensign 32
Days from Spud:	23	**GL:**	2.7m
Current Hole Size:	8.5"	**RT:**	8.6m
Depth @ 0600 Hrs:	2315m MDRT	**PTD:**	2281m MDRT (-1338mSS)
	-1356m TVDSS	**Spud Date:**	04:30 hrs 29/07/06
24 Hr Progress:	65m		

Current Operation: Making up new BHA with PDC bit, Geotap Pressure tool and MWD Triple Combo.

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"	1606m	9.625"	47.0	N80 BTC	**1598m ***	EMW= 16.7 ppg

*** 9.625m Casing Shoe revised to 1598m based on MWD log**

Mud Data	Type:	Wt:	Visc:	WELL:	PH:	KCl%:	Cl -:	PV/YP:	Rmf:
	KCL-PHPA	10.5	60	5.0	9.0	6.0	36000	25 / 36	0.1 @ 75°F

Bit Data	No.	Make	Type		Size	Hours	Meters	Condition
(@ 24:00)	6	Hycalog	TC	HP21G	8.5"	-	-	Drill out trip #1
	7	Reed	PDC	RSX272	8.5"	3.0	13	0-1-RG-G-X-I-NO-BHA
	8	Hycalog	PDC	RSX616M	8.5"	3.2	41	2-3-CT-A-X-I-BT-RIG
	9	Hycalog	PDC	RSX616M	8.5"	3.2	20	0-0-NO- -X-I-NO-PR
	9RR	Hycalog	PDC	RSX616M	8.5"	14.87	201	0-0-BU- - X-I-NO-PR
	10	Hycalog	Rock	TC11P	8.5"	46.44	434	7-6-NR-A-E-2- -HR

Surveys	Type	MD (m)	Inclination	Azimuth (T)	TVD (m)	Offset (m)	Direction (T)
	MWD	2284.1	0.92	88.16	1333.71	1544.63	118.19
	MWD	2303.74	1.19	92.86	1353.34	1544.95	118.18
Projected	MWD	2315.00	1.34	95.55	1364.69	1545.18	118.18

OPERATIONS SUMMARY

Previous 24 hrs Operations Summary:
Drill ahead 8.5" directional hole from 2250m to 2315m. Circulate hole clean. Pump out of hole to casing shoe. Circulate hole clean at casing shoe. Pull out of hole, download MWD data. Layout MWD tools and Geopilot. Make up new BHA with PDC bit, MWD Geotap Pressure tool and Triple Combo MWD string.

Anticipated operations:
Make up new BHA with PDC bit, MWD Geotap Pressure tool and Triple Combo MWD string. Shallow test MWD tools and run in hole, wash and ream as required. Conduct Geotap pressure survey. Drill ahead as ordered.

Sensor Distances: (Preliminary – may change after the BHA is made up)
Surveys 2.85m
Gamma Ray 5.21m
Resistivity 7.57m
Pressure 10.10m
Density 15.95m
Porosity 20.53m
Geotap: 23.75m

FORMATION TOPS (Preliminary Field picks)						
FORMATION	**ACTUAL TOP**		**High / Low to**	**High / Low to**	**PROGNOSED TOP**	
	(MDmRT)	**(TVDmSS)**	**Prognosis**	**East Reeve-1**	**(MDmRT)**	**(TVDmSS)**
Jemmy's Point	5.9	2.7	-	-	6	3
Tambo River (Coquina)	143	-134.4	30.6m High	30.8m High	180	-165
Gippsland Limestone	235	-225.9	5.9m Low	0.2m High	230	-220
Lakes Entrance Formation	1880	-956.4	3.6m High	27.1m High	1876 **	-960 **
Latrobe Coarse Clastics	2124.5	-1167	12m Low	9.5m High	2098	-1155
Latrobe N. Asperus (Coal)	2196	-1238	18m Low	9.1m High	2163	-1220
Total Depth					2281	-1338

**** Revised Prognosis**

HYDROCARBON SHOW SUMMARY

INTERVAL	LITHOLOGY & HYDROCARBON FLUORESCENCE	GAS
	LATROBE N. ASPERUS	
2261-2272m Ave: 4.0 min/m	SANDSTONE: Clear to translucent, white, off white, minor light brown, fine to coarse grained, dominantly medium grained, moderately sorted, subangular to subrounded, trace pyrite, generally loose, good inferred porosity, mineral fluorescence only. Potential 8.5m pay identified by preliminary log analysis	34 / 20 units 89/9/1/1 %
2281-2294m Ave: 4.0 min/m	SANDSTONE: Clear to translucent, fine to coarse grained, common to dominantly medium grained, generally poorly sorted, trace pyrite, trace fossil fragments, trace glauconite, generally loose and clean, good inferred porosity, mineral fluorescence only. Potential 8.5m pay identified by preliminary log analysis	12 / 5 units 84/11/3/2 %

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

INTERVAL ROP (min/ft)	LITHOLOGY	GAS (Peak / BG) Composition
2242-2261m ROP:3.5-10.8 Ave:4.0	INTERBEDDED SANDSTONE, COAL AND CARBONACEOUS SILTSTONE SANDSTONE: Clear to translucent, light grey, opaque, fine to medium grained, occasional coarse grained, moderately poorly sorted, subangular to subrounded, occasional moderately strong siliceous cement, trace light grey argillaceous matrix, generally loose and clean, good inferred porosity, no hydrocarbon fluorescence. COAL: Very dark brown to brown black, black, dull, minor sub-vitreous, silty, argillaceous in part, grading to Carbonaceous Siltstone in part, subblocky to subfissile, hard, brittle in part, uneven fracture. CARBONACEOUS SILTSTONE: Dark to medium brown, medium brown grey, very carbonaceous in part grading to Silty Coal, argillaceous in part, grading to Silty Claystone, trace off white dolomite fragments, firm to hard in part, subblocky to subfissile.	83 / 25 units 96/4/trace %

INTERVAL ROP (min/ft)	LITHOLOGY	GAS (Peak / BG) Composition
2261-2281m ROP:3.4-9.1 Ave: 6.0	SANDSTONE INTERBEDDED WITH CLAYSTONE AND MINOR COAL SANDSTONE: Clear to translucent, white, off white, minor light brown, fine to coarse grained, dominantly medium grained, moderately sorted, subangular to subrounded, trace pyrite, generally loose, good inferred porosity, mineral fluorescence only. CLAYSTONE: Light to medium grey, trace carbonaceous specks, trace lithic fragments, trace dolomite fragments, firm to occasional moderately hard, subblocky to subfissile. COAL: Dark brown, brown black, dull, earthy in part, hard, brittle, silty in part, subfissile, subblocky in part, uneven fracture.	34 / 20 units 89/9/1/1 %
2281-2315m ROP: 3.2-11.5 Ave: 10.0	INTERBEDDED SANDSTONE AND CARBONACEOUS SILTSTONE SANDSTONE: Clear to translucent, fine to coarse grained, common to dominantly medium grained, generally poorly sorted, trace pyrite, trace fossil fragments, trace glauconite, generally loose and clean, good inferred porosity, mineral fluorescence only. CARBONACEOUS SILTSTONE: Dark to medium brown, medium brown grey, very carbonaceous in part grading to Silty Coal, argillaceous in part, grading to Silty Claystone, trace off white dolomite fragments, firm to hard in part, subblocky to subfissile.	12 / 5 units 84/11/3/2 %