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ASX AND MEDIA RELEASE

HERON-2 WELL WEEKLY DRILLING REPORT – No 14

Key Points:

- **Heron-2 well plugged and abandoned**
- **Rig successfully moved and pinned over Blackwood-1 location**
- **Blackwood-1 spud date February 1, 2008**

MELBOURNE, AUSTRALIA (January 31, 2008) -- MEO Australia Limited (ASX: MEO) submits this final Heron-2 drilling report for the period ending 1000 hours, January 30, 2008. The Heron-2 well was spudded at 2230 hours (ACST) on October 12, 2007 in Exploration Permit, NT/P68.


The West Atlas has successfully plugged the Heron-2 well. The rig moved off the Heron-2 location at 2200 hours, January 29, 2008. At approximately 9am January 30, 2008, the rig had pinned to the seafloor over the Blackwood-1 location. MEO expects to spud Blackwood-1 on February 1, 2008

Heron-2 was drilled by Seadrill's West Atlas jack-up rig contracted to MEO for two firm wells. The Heron-2 well was designed as a vertical well to penetrate and production test the Epenarra Darwin Formation and the deeper Elang/Plover Formation of the Heron North structure. Open-hole production testing of the Elang/Plover formation was conducted in Heron-2 and while it was confirmed that the Plover sands did not contribute to the recorded flow due to blockages in the well immediately above the Plover formation, the Elang sands did flow gas to surface at a maximum rate exceeding 6 MMscf/day.

The Darwin formation was subsequently production tested in Heron-2. While the evidence from electric logs of gas saturation and the presence of some significant fractures in the perforated section appeared to be positive, the well only produced minor quantities of hydrocarbons to surface and failed to produce a consistent flow. The joint venture is presently reviewing the Heron-2 well, 3D seismic and inversion data to determine the reasons for the lack of permeability through the Darwin formation at this specific location. The joint venture continues to believe that significant resources may still exist in the Epenarra and Heron structures. The General Meeting Presentation lodged with ASX on January 24, 2008 provides a more comprehensive review of the Heron-2 well results.

The participants in the Heron-2 well and permit are:

TSP Arafura Petroleum Pty Ltd (MEO subsidiary)	45%
Oz-Exoil Pty Ltd (MEO subsidiary)	45%
Petrofac Energy Developments Oceania Ltd (Petrofac Limited subsidiary)	10%

A handwritten signature in black ink, appearing to read 'C.R. Hart', with a long horizontal stroke extending to the right.

C.R. Hart, Managing Director
MEO Australia Limited
NT/P68 Operator

HERON-2 WELL

DETAILS

Licence:	NT/P68
Operator:	MEO Australia Limited
Rig:	Seadrill West Atlas jack-up
Surface location:	Latitude: 10 deg 25 min 12.443 sec Longitude: 128 deg 56 min 20.155 sec Datum: GDA94
Seawater Depth:	35 m LAT
Spud Date:	2200 hours (ACST), October 12, 2007
Target Strata:	Primary: Darwin Formation; Facies C Secondary: Elang/Plover Formation
Total Depth:	4334 metres (MDRT). Actual TD: 4182m (MD - measured depth below the rig's rotary table - RT)
Primary Target Depth:	Top Darwin Fm 3124 metres (MDRT)
Secondary Target Depth:	Top Elang/Plover Fm 3944 metres (MDRT)
Designated Authority:	Northern Territory Department of Primary Industry, Fisheries and Mines
Reservoir Objectives:	<p>Darwin Formation: Determine the development of intergranular porosity; the presence a fracture system; the effectiveness of the fracture system in accessing the porosity, delivering hydrocarbons to the well bore on production; and the liquids content of the gas (condensate & LPG) and the levels of C02, H2S and mercury.</p> <p>Elang/Plover Formation: Determine the presence or otherwise of hydrocarbons (gas/condensate); reservoir properties including intergranular porosity and fracturing; the effectiveness of the fracture system to access porosity and deliver hydrocarbons to the well bore on production; and the level of CO2 and H2S in the gas.</p>
Production Objectives:	In a success case, separate cased hole tests are planned for the Elang/Plover and Darwin Formations.
Well Design:	Heron-2 is a vertical well. The well design is to drill a 36" hole to 107m and set a 30" conductor. A 20" surface

casing will be set at approximately 1100m in a 26" hole drilled to 1110m. A 13^{3/8}" intermediate casing will be set in a 17^{1/2}" hole drilled to 2210m. Drill a 12^{1/4}" vertical hole down to just below the Darwin Formation (3344m) and log and case. After setting 9^{5/8}" casing, drill 8^{1/2}" hole to TD in the Plover Formation and log. Depending on success both Plover and Darwin Formations will be tested separately.

Heron-2 is being planned as a high pressure/high temperature (HPHT) well, based on the conditions encountered at the nearby offset well, Heron-1. The HPHT criteria being:

- Maximum possible surface pressures exceed 10,000 psi;
- Maximum anticipated bottom-hole temperatures exceeds 150°C

MEO Pre-Drill Estimates

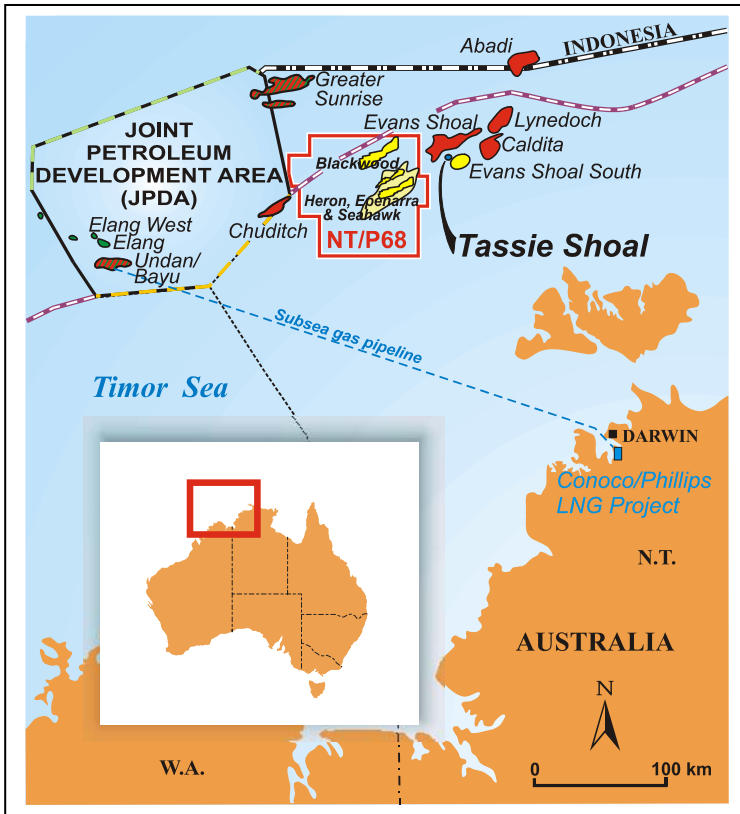
Target Reservoir	Gas-in-Place Mean Contingent Resource ¹	Recoverable Mean Gas Contingent Resource ¹
Epenarra: Darwin Formation facies C	5620 Bcf	3200 Bcf
Heron North: Elang/Plover Formation	3790 Bcf	2650 Bcf
Heron South: Elang/Plover Formation	1750 Bcf	1225 Bcf

Note 1: Contingent Resource are those resources which relate to quantities of petroleum (oil or gas) which are estimated, on a given date, to be potentially recoverable from a known accumulation but which are not currently considered to be commercially recoverable. Contingent Resources may include, for example, accumulations for which there is currently no viable market, or where commercial recovery is dependent on the development of new technology, or where evaluation of the accumulation is still at an early stage.

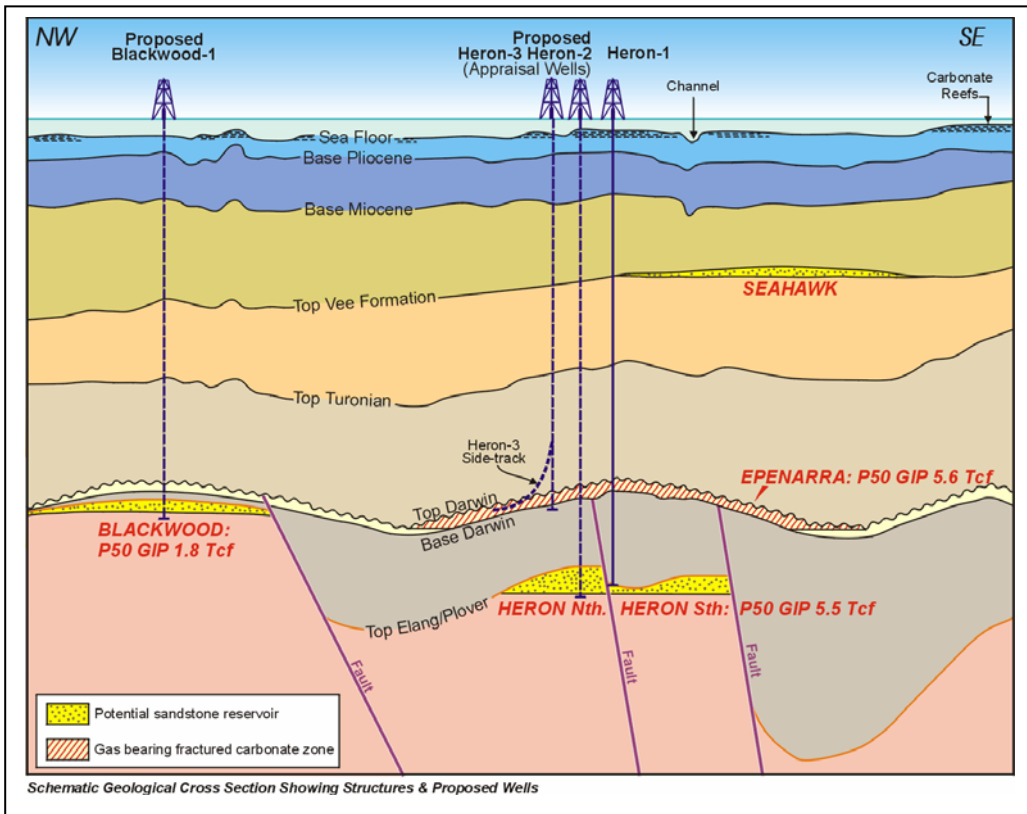
Summary of potential

The joint venture has conducted a series of geoscientific studies to better define the nature of the potential gas accumulation in Epenarra and the probability for commercial deliverability. These included charge and migration modelling, regional tectonic stress regimes and fracture modelling, well-bore stability and hydrocarbon inclusion testing. CSIRO Petroleum was engaged to conduct hydrocarbon inclusion and Raman Laser microprobe testing on cutting and core samples obtained through the gas charged zones within Facies C of the Darwin Formation identified in the Heron-1 well. The CSIRO study confirmed that the hydrocarbon inventory in Epenarra would most likely have a high condensate gas ratio (CGR) (~100bbls/MMscf) and contain low levels of CO₂ (1% to 3%). Based on the Contingent Resource estimate for gas in Epenarra above, the recoverable mean Contingent Resource for condensate based on a CGR of 80 bbls/MMscf is estimated at 234 MMbbls.

NT/P68 Permit Location



Schematic showing target horizons and Heron-2, Heron-3 and Blackwood-1 well locations



WELL NAME: Heron-2	
WELL TYPE: Exploration	
WELL AREA: NT/P68, Bonaparte Basin	
RIG: Seadrill, West Atlas	
MD (RT) m	STRATIGRAPHY
	TOPS MDRT
0	73m
250	
500	579m
750	
1000	
1250	
1500	1462m
1750	
2000	
2250	2081m
2500	
2750	
3000	
3250	3124m 3244m
3500	3352m
3750	
4000	3944m 3954m
4250	
4500	TD 4334m Success

