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ASX AND MEDIA RELEASE

HERON-2 WELL WEEKLY DRILLING REPORT – No 12

Key Points:

- **Preparing to drill 6 inch hole to TD**
- **Drilling expected to be completed in 5 days**
- **Planning to run a 4½ inch slotted liner for production testing**
- **Plover production test scheduled for next week**

MELBOURNE, AUSTRALIA (January 11, 2007) -- MEO Australia Limited (ASX: MEO) submits this drilling report for the period ending 1000 hours, January 11, 2007. The Heron-2 well was spudded at 2230 hours (ACST) on October 12, 2007 in Exploration Permit, NT/P68.

Open-hole production testing of the Elang/Plover formation commenced on January 3, 2008, focussing on the Plover sands as the primary gas-bearing reservoirs in the Heron North structure. Due to blockages now confirmed in the well immediately above the Plover formation, it is regarded likely that only a 15m section of the higher Elang sand flowed gas to surface during this production test.

MEO believes that the permeable fracture zones in the better quality deeper Plover sands, which are likely to be a significant contributing mechanism for gas to flow at the rates necessary for commercial development, have probably also been irreversibly blocked by the LCM (loss circulation material) treatment that was required to stem losses of synthetic mud sustained while drilling the original 6 inch hole.

Given the encouraging mud log indications while drilling the Plover formation of possible wet gas (gas with associated LPG and condensate), positive electric log interpretation and no recorded carbon dioxide in the mud returns, the joint venture agreed to sidetrack around the blockage to re-drill the Plover gas charged sands.

The permanent packer (installed for the production test) at the base of the 7 inch liner has been milled out successfully, a whipstock which facilitates the side tracking of the well has been installed and a hole has been milled through the side of the 7 inch liner. The rig is currently pulling the milling tools out of the well and MEO expects to commence drilling the 6 inch hole using a combined diamond impregnated drill-bit and turbine to optimize the rates of penetration tomorrow. In order to avoid further significant mud losses, the well will be drilled with an optimally weighted mud calculated on the recorded reservoir pore pressure measurements during the production test of the Elang sands.

At the completion of drilling, a slotted 4½ inch liner will be run, which is designed to preferentially allow the Plover formation to flow gas during the planned production test.

Following the Plover production test, the well will be plugged back to the base of the Darwin formation, the 9⅝ inch casing will be perforated and the gas charged zones of the Epenarra structure will be production tested.

Heron-2 is being drilled by Seadrill's West Atlas jack-up rig contracted to MEO for two firm wells. The Heron-2 well is 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.

The Heron-1 well drilled by ARCO in 1972 intersected a 52m gas bearing column in the Darwin Formation (a fractured carbonate reservoir) within the 1,200 square km mapped closure of the large Epenarra structure. Heron-1 also reached a gas charged zone in the deeper underlying Elang/Plover horizon, which is a secondary objective for the Heron-2 well.

The participants in the 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%

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)** (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:	**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.** **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.**
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 13⅜" intermediate casing will be set in a 17½" hole drilled to 2210m. Drill a 12 ¼" vertical hole down to just below the Darwin Formation (3344m) and log and case. After setting 9 5/8" casing, drill 8 ½" 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 150ºC**

MEO Pre-Drill Estimates

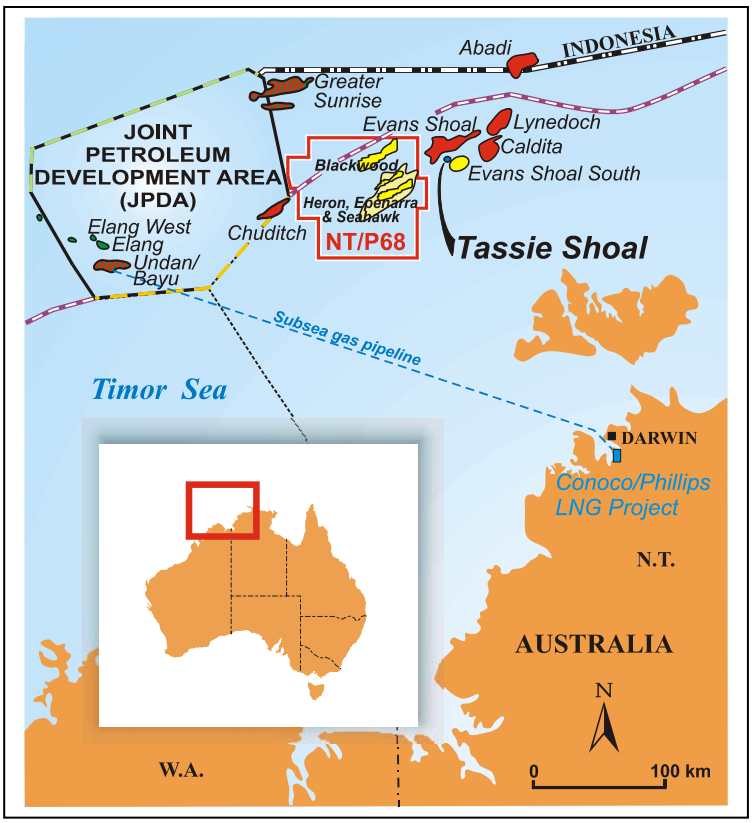
Target Reservoir	Gas-in-Place Mean Contingent Resource[1]	Recoverable Mean Gas Contingent Resource[1]
Epenarra: Darwin Formation facies C	**5620 Bcf**	**3200 Bcf**
Heron North: Elang/Plover Formation	**3790 Bcf**	**2650 Bcf**
Heron South: Elang/Plover Formation	**1750 Bcf**	**1225 Bcf**

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.

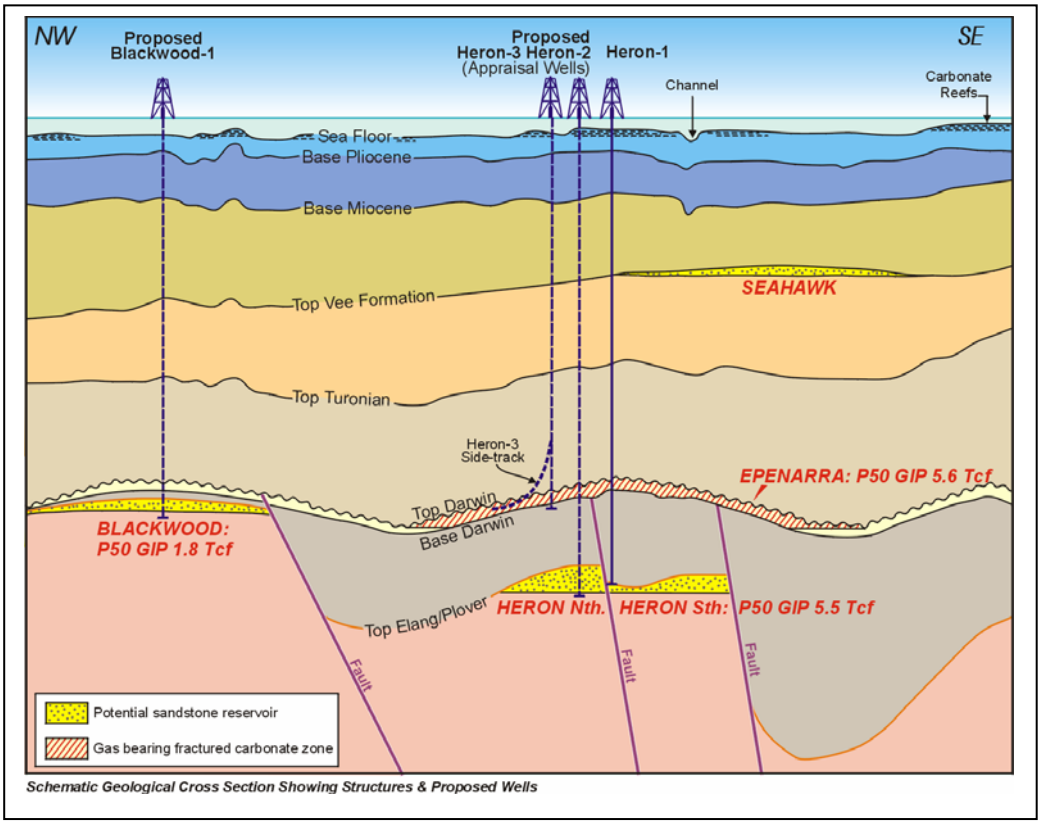
Summary of potential

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 CO_2 (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



Schematic Geological Cross Section Showing Structures & Proposed Wells

WELL NAME: Heron-2
WELL TYPE: Exploration
WELL AREA: NT/P68, Bonaparte Basin
RIG Seadrill, West Atlas