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**ASX AND MEDIA RELEASE**

**HERON-2 WELL WEEKLY DRILLING REPORT – No 8**

**Key Points:**

- **Joint venture decision to production test Epenarra Darwin reservoir**
- **Current depth: 3912m**
- **Pulling out of hole to change 8½ inch bit**
- **Expect to re-commence drill to Heron North Elang/Plover Formation Sunday**

MELBOURNE, AUSTRALIA (December 7, 2007) -- MEO Australia Limited (ASX: MEO) submits this drilling report for the period ending 1000 hours, December 6, 2007. The Heron-2 well was spudded at 2230 hours (ACST) on October 12, 2007 in Exploration Permit, NT/P68.

On Wednesday, December 5, 2007, the NT/P68 Joint Venture partners approved production testing of the gas charged zone of the Epenarra Darwin formation reservoir in the Heron-2 well. Testing of Epenarra can only occur after the completion of drilling and possible production testing (subject to separate Joint Venture approval) of the underlying Heron North Elang/Plover target reservoir.

The well depth is currently 3912m, just above the Elang/Plover target reservoir. The rig is currently changing the 8½ inch bit to improve the drilling rate of penetration. The rig expects to re-commence drilling on Sunday, December 9, 2007. The prognosed total depth of the Heron North Elang/Plover formation is just below the mapped structural spill point at 4260m, which is also the depth of the flat event noted on the 3D seismic data, and interpreted as a possible gas-water-contact.

The participants in the well 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% |
|  |     |

Heron-2 is being drilled by Seadrill's West Atlas jack-up rig contracted to MEO for two firm wells and one option well. 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 planned total depth of the well is approximately 4300m below sea level.

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.

A handwritten signature in black ink, appearing to read 'C.R. Hart', with a horizontal line extending to the right from the end of the signature.

**C.R. Hart**

Managing Director, MEO Australia Limited, NT/P68 Operator

## HERON-2 WELL

**DETAILS**

|                                |  |
|--------------------------------|--|
| <b>Licence:</b>                | <b>NT/P68</b>  |
| <b>Operator:</b>               | <b>MEO Australia Limited</b>   |
| <b>Rig:</b>                    | <b>Seadrill West Atlas jack-up</b>   |
| <b>Surface location:</b>       | <b>Latitude: 10 deg 25 min 12.443 sec</b><br><b>Longitude: 128 deg 56 min 20.155 sec</b><br><b>Datum: GDA94</b>  |
| <b>Seawater Depth:</b>         | <b>35 m LAT</b>  |
| <b>Spud Date:</b>              | <b>2200 hours (ACST), October 12, 2007</b>   |
| <b>Target Strata:</b>          | <b>Primary: Darwin Formation; Facies C</b><br><b>Secondary: Elang/Plover Formation</b>   |
| <b>Total Depth:</b>            | <b>4334 metres (MDRT)</b><br>(MD - measured depth below the rig's rotary table - RT)   |
| <b>Primary Target Depth:</b>   | <b>Top Darwin Fm 3124 metres (MDRT)</b>  |
| <b>Secondary Target Depth:</b> | <b>Top Plover Fm 3944 metres (MDRT)</b>  |
| <b>Designated Authority:</b>   | <b>Northern Territory Department of Primary Industry, Fisheries and Mines</b>  |
| <b>Reservoir Objectives:</b>   | <p><b>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 &amp; LPG) and the levels of C02, H2S and mercury.</b></p> <p><b>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.</b></p> |
| <b>Production Objectives:</b>  | <b>In a success case, separate cased hole tests are planned for the Elang/Plover and Darwin Formations.</b>  |
| <b>Well Design:</b>            | <b>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</b>   |

casing will be set at approximately 1100m in a 26" hole drilled to 1110m. A 13<sup>3/8</sup>" intermediate casing will be set in a 17<sup>1/2</sup>" hole drilled to 2210m. Drill a 12<sup>1/4</sup>" vertical hole down to just below the Darwin Formation (3344m) and log and case. After setting 9<sup>5/8</sup>" casing, drill 8<sup>1/2</sup>" 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

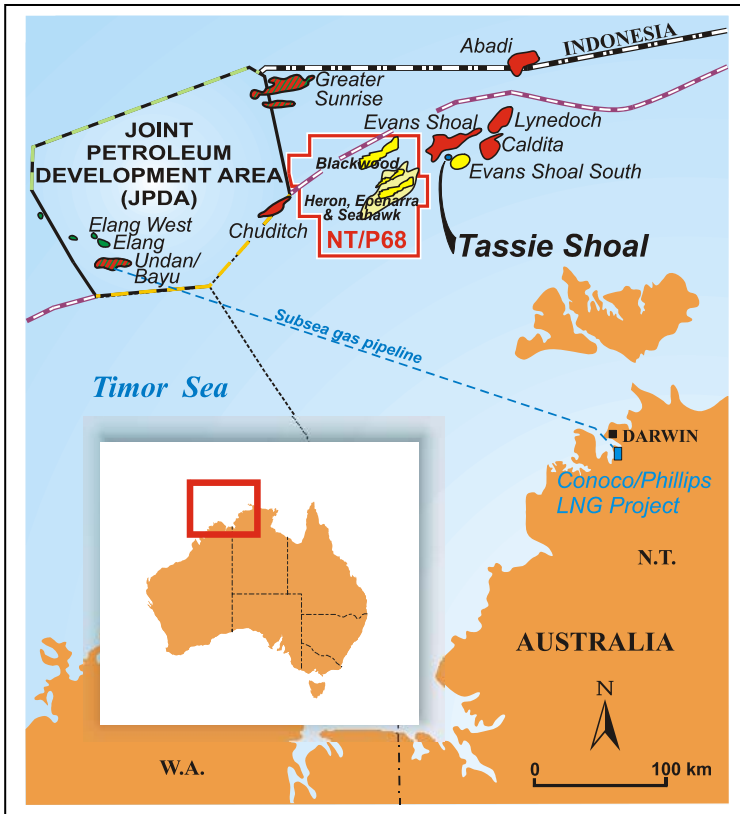
| Target Reservoir                       | Gas-in-Place Mean Contingent Resource <sup>1</sup> | Recoverable Mean Gas Contingent Resource <sup>1</sup> |
|--|--|---|
| Epenarra:<br>Darwin Formation facies C | 5620 Bcf   | 3200 Bcf  |
| Heron North:<br>Elang/Plover Formation | 3790 Bcf   | 2650 Bcf  |
| Heron South:<br>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.

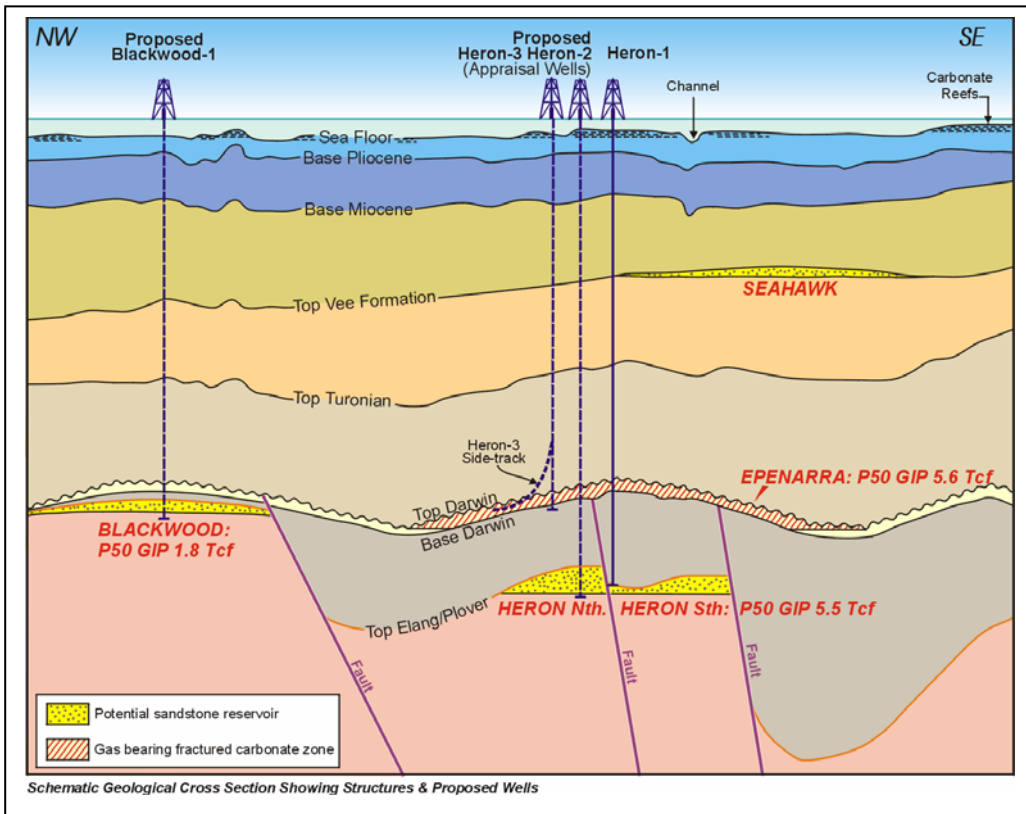
## Summary of potential

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<sub>2</sub> (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**



| <b>WELL NAME:</b> Heron-2                 |                     |
|---|---------------------|
| <b>WELL TYPE:</b> Exploration             |                     |
| <b>WELL AREA:</b> NT/P68, Bonaparte Basin |                     |
| <b>RIG:</b> Seadrill, West Atlas          |                     |
| MD (RT) m                                 | STRATIGRAPHY        |
|   | TOPS MDRT           |
| 0   |                     |
| 250                                       | 73m                 |
| 500                                       |                     |
| 750                                       | 579m                |
| 1000                                      |                     |
| 1250                                      |                     |
| 1500                                      | 1462m               |
| 1750                                      |                     |
| 2000                                      |                     |
| 2250                                      | 2081m               |
| 2500                                      |                     |
| 2750                                      |                     |
| 3000                                      |                     |
| 3250                                      | 3124m               |
|   | 3244m               |
| 3500                                      | 3352m               |
| 3750                                      |                     |
| 4000                                      | 3844m               |
|   | 3954m               |
| 4250                                      |                     |
| 4500                                      | TD 4334m<br>Success |

