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ASX AND MEDIA RELEASE

HERON-2 WELL WEEKLY DRILLING REPORT

Key Points:

- **Drilled 36 inch hole and 30 inch casing set to 108m**
- **Final rig commissioning, testing and minor repairs completed**
- **At 06.00 am commenced drilling the 26 inch hole**

MELBOURNE, AUSTRALIA (October 19, 2007) -- MEO Australia Limited (ASX: MEO) submits this drilling report for the period ending 0900 hours, October 19, 2007. The Heron-2 well was spudded at 2230 hours (ACST) on October 12, 2007 in Exploration Permit, NT/P68.

As a new rig, MEO allowed for an approximate 5 day period for final rig commissioning, equipment testing and minor repairs to ensure all critical equipment was fully operational prior to drilling out of the 30 inch conductor. At 6 am this morning, the rig commenced drilling the 26 inch hole.

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.

C.R. Hart
Managing Director

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:	34.4 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 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

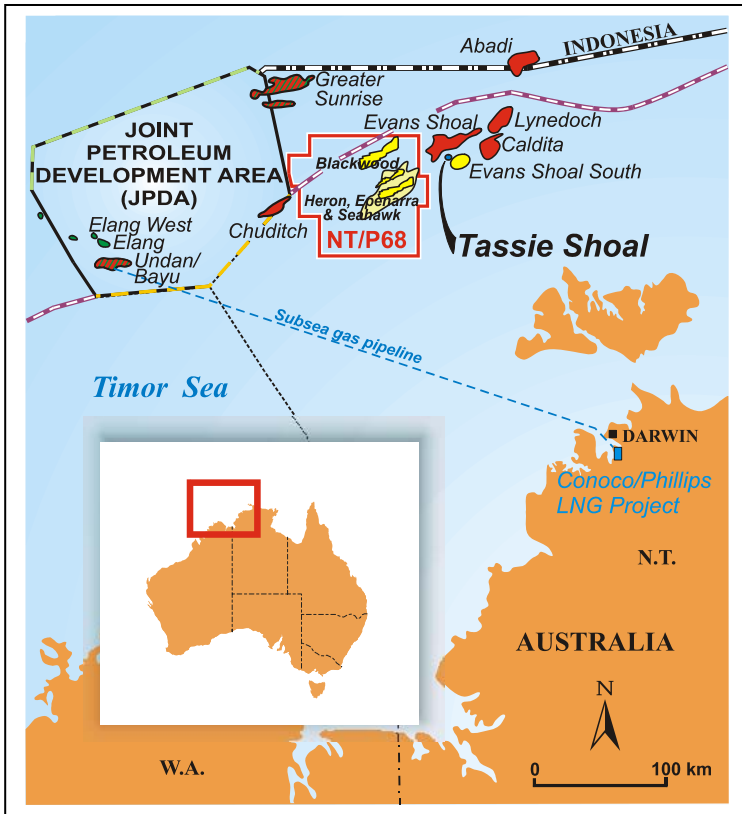
Target Reservoir	Gas-in-Place Mean Contingent Resource ¹	Recoverable Mean Gas Contingent Resource ¹
Epenarra: Darwin Formation facies C	5620 Bcf	3200 Bcf
Heron North: Elang/Plover Formation	3790 Bcf	2650 Bcf
Heron South: Elang/Plover Formation	1750 Bcf	1225 Bcf

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.

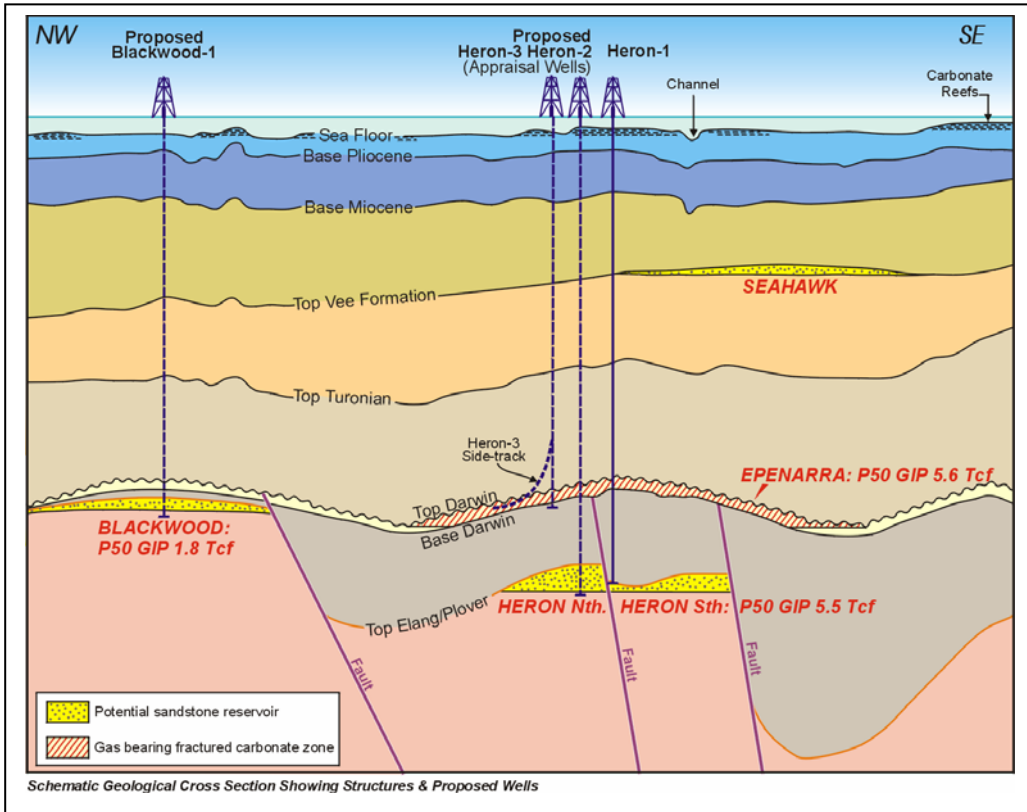
Summary of potential

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
73m		
250		
500		
579m		
750		
1000		
1250		
1462m		
1750		
2000		
2081m		
2250		
2500		
2750		
3000		
3124m		
3244m		
3352m		
3500		
3750		
4000		
3944m		
3954m		
4250		
4500		TD 4334m Success

