

**DRILLING MORNING REPORT # 4**

**Longtom 3**

13 Jul 2006

From: John Wrenn/ Bryan Webb  
To: John Ah-Cann

| Well Data         |                 |   |         |                |          |                     |              |
|-------------------|-----------------|---|---------|----------------|----------|---------------------|--------------|
| Country           | Australia       | MDBRT   | 524.0m  | Cur. Hole Size | 22.000in | AFE Cost            | \$40,292,054 |
| Field             | Gippsland Basin | TVDBRT  | 524.0m  | Last Casing OD | 30.000in | AFE No.             | LSDED01/0    |
| Drill Co.         | DOGC            | Progress  | 411.0m  | Shoe TVDBRT    | 110.8m   | Daily Cost          | \$607,213    |
| Rig               | OCEAN PATRIOT   | Days from spud  | 2.37    | Shoe MDBRT     | 110.8m   | Cum Cost            | \$2,233,506  |
| Wtr Dpth (LAT)    | 56.7m           | Days on well  | 3.60    | FIT/LOT:       | /        | Days Since Last LTI | 1150         |
| RT-ASL (LAT)      | 21.5m           | Planned TD MD   | 5834.0m |                |          |                     |              |
| RT-ML             | 78.2m           | Planned TD TVDRT  | 2458.0m |                |          |                     |              |
| Current Op @ 0600 |                 | Drilling ahead 22" hole @650m MDRT.<br>No hole problems observed. |         |                |          |                     |              |
| Planned Op        |                 | Drill ahead to 22" section TD 1010m MDRT.                         |         |                |          |                     |              |

| Summary of Period 0000 to 2400 Hrs  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|
| <p>Backed out 30" running tool and pulled out of hole. Laid down 26"-36" hole BHA. Picked up 22" BHA and ran in hole to top of cement at 107m MDRT. Drilled cement/ shoe/ shoe track from 107m MDRT to 111.8m MDRT. Drill ahead 22" hole from 111.8m MDRT to 524m MDRT. Drill with sea water and hi-vis sweeps. No hole problems observed.</p> <p>Starboard crane is not operable at present due to engine failure during back loading operations. Suspended load had to be lowered to supply boat by manually releasing the hoist brake and lowering onto her deck. No damage to equipment resulted during this operation.</p> |  |  |  |  |  |  |  |

**Operations For Period 0000 Hrs to 2400 Hrs on 13 Jul 2006**

| Phse | Cls (RC) | Op   | From | To   | Hrs   | Depth  | Activity Description   |
|------|----------|------|------|------|-------|--------|--|
| CC   | P        | WOC  | 0000 | 0100 | 1.00  | 111.8m | Waiting on surface samples to harden from 30" casing cement job.   |
| CC   | P        | SKR  | 0100 | 0130 | 0.50  | 111.8m | Re-position rig over well center.<br>Note: Rig was moved to obtain 1deg bullseye on PGB.   |
| CC   | P        | TO   | 0130 | 0230 | 1.00  | 111.8m | Back out 30" casing running tool with 5 right hand turns. No torque observed and tool pulled from housing with no overpull. Pulled out of hole and laid out running tool. Bullseye reading 1 deg after disconnecting 30" running tool from conductor   |
| CH   | P        | HBHA | 0230 | 0330 | 1.00  | 111.8m | Surveyors took final rig position fix readings.<br>laid out 26" x 36" BHA components from derrick.   |
| SH   | P        | HBHA | 0330 | 0800 | 4.50  | 111.8m | Make up 22" BHA:<br>Bit/ Float sub/ MWD/ 9.5"dc/ stab/ 9.5"dc/ stab/ 9.5"dc/ xo/ 2 x 8"dc/ jars/ 3 x 8"dc/ xo/ 15 x 5"hwdp. Check service breaks on MWD and shallow test on 1st stand of HDWP, ok.<br>Stab into 30" housing while running BHA, skid rig port to align pipe in hole.<br>Top cement tagged @107m MDRT.   |
| SH   | P        | DFS  | 0800 | 1030 | 2.50  | 111.8m | Drill out cement/ shoe/ rat hole from 107m MDRT to 111.8m.<br>800gpm/ 5-10klbs WOB/ 60 rpm.<br>Sweep shoe and cement with 100bbls PHG.   |
| SH   | P        | DA   | 1030 | 2400 | 13.50 | 524.0m | Drill ahead 22" hole from 111.8m MDRT to 524m MDRT.<br>1100gpm/ 2200psi/ 185rpm/ 4-6000ftlbs tq/ 20-30klbs WOB.<br>Rotating wt 180klbs/ up wt 180klbs/ down wt 180klbs.<br>Average ROP: 30.53m/hr<br>Drill with sea water pumping Hi-vis sweeps as follows:<br>50bbls PHG/ 50bbls Guar/ 75bbls PHG.<br>No hole problems observed during drilling or connections. |

**Operations For Period 0000 Hrs to 0600 Hrs on 14 Jul 2006**

| Phse | Cls (RC) | Op | From | To   | Hrs  | Depth  | Activity Description  |
|------|----------|----|------|------|------|--------|---|
| SH   | P        | DA | 0000 | 0600 | 6.00 | 650.0m | Drill ahead 22" hole from 524m MDRT to 650m MDRT.<br>1130gpm/ 2400psi/ 185rpm/ 4-6000ftlbs tq/ 25-32klbs WOB.<br>Rotating wt 190klbs/ up wt 190klbs/ down wt 190klbs.<br>Average ROP: 21m/hr<br>Drill with sea water pumping Hi-vis sweeps as follows:<br>50bbls PHG/ 50bbls Guar/ 75bbls PHG.<br>No hole problems observed during drilling or connections. |

| Phase Data to 2400hrs, 13 Jul 2006 |           |             |             |         |          |           |
|------------------------------------|-----------|-------------|-------------|---------|----------|-----------|
| Phase                              | Phase Hrs | Start On    | Finish On   | Cum Hrs | Cum Days | Max Depth |
| RIG MOVE/RIG-UP/PRESPUD(RM)        | 9.5       | 10 Jul 2006 | 10 Jul 2006 | 9.50    | 0.396    | 0.0m      |
| ANCHORING(A)                       | 19        | 10 Jul 2006 | 11 Jul 2006 | 28.50   | 1.188    | 0.0m      |
| CONDUCTOR HOLE(CH)                 | 5.5       | 11 Jul 2006 | 13 Jul 2006 | 34.00   | 1.417    | 112.0m    |
| CONDUCTOR CASING(CC)               | 32        | 11 Jul 2006 | 13 Jul 2006 | 66.00   | 2.750    | 112.0m    |
| SURFACE HOLE(SH)                   | 20.5      | 13 Jul 2006 | 13 Jul 2006 | 86.50   | 3.604    | 524.0m    |

| WBM Data     |   | Cost Today \$ 11068 |           |               |           |  |
|--------------|---|---------------------|-----------|---------------|-----------|--|
| Mud Type:    | PHG spud mud  | API FL:             | Cl:       | Solids(%vol): | Viscosity | 103sec/qt  |
| Sample-From: |   | Filter-Cake:        | K+C*1000: | H2O:          | PV        |  |
| Time:        | 20:00hrs  | HTHP-FL:            | Hard/Ca:  | Oil(%):       | YP        |  |
| Weight:      | 8.70ppg   | HTHP-cake:          | MBT:      | Sand:         | Gels 10s  |  |
| Temp:        | 17C°  |                     | PM:       | pH:           | Gels 10m  |  |
|              |   |                     | PF:       | PHPA:         | Fann 003  |  |
| Comment      | No engineer costs, product only.<br>Total product cost to date \$ 23316.42.<br>Total cumulative cost \$ 35216.41. |                     |           |               |           | Fann 006<br>Fann 100<br>Fann 200<br>Fann 300<br>Fann 600 |

| Bit # 2           |              | Wear     | I        | O1  | D                        | L              | B                       | G                  | O2 | R          |
|-------------------|--------------|----------|----------|-----|--------------------------|----------------|-------------------------|--------------------|----|------------|
| Bitwear Comments: |              |          |          |     |                          |                |                         |                    |    |            |
| Size ("):         | IADC#        | 115      | Nozzles  |     | Drilled over last 24 hrs |                | Calculated over Bit Run |                    |    |            |
| Mfr:              | SECURITY DBS | WOB(avg) | 25.00klb | No. | Size                     | Progress       | 411.0m                  | Cum. Progress      |    | 411.0m     |
| Type:             | Rock         | RPM(avg) | 170      | 1   | 18/32nd"                 | On Bottom Hrs  | 8.7h                    | Cum. On Btm Hrs    |    | 8.7h       |
| Serial No.:       | MX 9485      | F.Rate   | 25.20bpm | 3   | 22/32nd"                 | IADC Drill Hrs | 13.5h                   | Cum IADC Drill Hrs |    | 13.5h      |
| Bit Model         | 22" XR + C   | SPP      | 1900psi  |     |                          | Total Revs     | 116000                  | Cum Total Revs     |    | 116000     |
| Depth In          | 111.8m       | HSI      |          |     |                          | ROP(avg)       | 47.24 m/hr              | ROP(avg)           |    | 47.24 m/hr |
| Depth Out         |              | TFA      | 1.362    |     |                          |                |                         |                    |    |            |
| Bit Comment       |              |          |          |     |                          |                |                         |                    |    |            |

| BHA # 2            |          |           |           |                 |         |                       |
|--------------------|----------|-----------|-----------|-----------------|---------|-----------------------|
| Weight(Wet)        | 60.00klb | Length    | 238.5m    | Torque(max)     | 6ft-lbs | D.C. (1) Ann Velocity |
| Wt Below Jar(Wet)  | 40.00klb | String    | 180.00klb | Torque(Off.Btm) | 2ft-lbs | D.C. (2) Ann Velocity |
| Drilling Jar Hours |          | Pick-Up   | 180.00klb | Torque(On.Btm)  | 3ft-lbs | H.W.D.P. Ann Velocity |
|                    |          | Slack-Off | 180.00klb |                 |         | D.P. Ann Velocity     |

BHA Run Description

BHA Run Comment

| Equipment     | Length  | OD       | ID      | Serial #    | Comment                                  |
|---------------|---------|----------|---------|-------------|--|
| Bit           | 0.58m   | 22.000in |         | MX 9485     | 22" Milled tooth.<br>3 x 22, 1 x 18.     |
| Bit Sub       | 0.92m   | 9.438in  | 3.000in | 186-0029    | Float bored, non-ported float installed. |
| MWD           | 8.79m   | 9.500in  | 4.000in | W696        |  |
| 9.5in DC      | 9.17m   | 9.500in  | 3.000in | 00005-9     |  |
| Stab          | 2.22m   | 22.000in | 3.063in | 207A3       | 22" full gauge string stab.              |
| 9.5in DC      | 8.99m   | 9.500in  | 3.000in | 00002-9     |  |
| Stab          | 2.38m   | 22.000in | 4.000in | 207A2       | 22" full gauge string stab.              |
| 9.5in DC      | 9.05m   | 9.500in  | 3.000in | 00004-9     |  |
| X/O           | 1.45m   | 8.188in  | 3.000in | A318        | 7 5/8 reg to 6 5/8 reg x/o.              |
| 8in DC        | 17.77m  | 8.000in  | 3.000in |             |  |
| Drilling Jars | 10.21m  | 8.000in  | 3.000in | 35205E      | Houston engineering drilling jars.       |
| 8in DC        | 26.73m  | 8.000in  | 3.000in |             |  |
| X/O           | 1.17m   | 7.875in  | 3.000in | mso 1940-02 | 6 5/8 reg to 4 1/2" IF.                  |
| 5in HWDP      | 139.33m | 5.000in  | 3.000in |             |  |

| Survey |            |            |         |            |         |         |               |           |
|--------|------------|------------|---------|------------|---------|---------|---------------|-----------|
| MD (m) | Incl (deg) | Azim (deg) | TVD (m) | Vsec (deg) | N/S (m) | E/W (m) | DLS (deg/30m) | Tool Type |
| 144.20 | 1.1        | 319.9      | 144.19  | 1.1        | 1.1     | -0.9    | 0.2           | MWD       |
| 199.11 | 1.0        | 317.8      | 199.09  | 1.9        | 1.9     | -1.6    | 0.1           | MWD       |
| 256.89 | 1.0        | 314.1      | 256.86  | 2.6        | 2.6     | -2.3    | 0.0           | MWD       |
| 285.54 | 0.8        | 322.6      | 285.54  | 2.9        | 2.9     | -2.6    | 0.3           | MWD       |
| 373.34 | 0.4        | 298.4      | 373.30  | 3.5        | 3.5     | -3.2    | 0.2           | MWD       |
| 457.63 | 0.6        | 340.7      | 457.59  | 4.1        | 1.1     | -3.6    | 0.2           | MWD       |
| 514.66 | 0.3        | 238.8      | 514.62  | 4.3        | 4.3     | -3.8    | 0.4           | MWD       |

| Bulk Stocks        |      |       |       |        |         |
|--------------------|------|-------|-------|--------|---------|
| Name               | Unit | In    | Used  | Adjust | Balance |
| Barite Bulk        | MT   | 0     | 0     | 0      | 125.2   |
| Bentonite Bulk     | MT   | 29.6  | 24.94 | 0      | 34.2    |
| Diesel             | m3   | 0     | 11.9  | 0      | 233.8   |
| Fresh Water        | m3   | 29    | 29    | 0      | 385.6   |
| Drill Water        | m3   | 0     | 186   | 0      | 788.4   |
| Cement G           | MT   | 69.78 | 0     | 0      | 153.1   |
| Cement HT (Silica) | MT   | 56.14 | 0     | 0      | 88.4    |
| Brine              | BCLS | 0     | 0     | 0      | 0.0     |

| Pumps                   |         |            |          |         |           |           |            |                |            |            |             |            |            |             |            |            |             |
|-------------------------|---------|------------|----------|---------|-----------|-----------|------------|----------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|
| Pump Data - Last 24 Hrs |         |            |          |         |           |           |            | Slow Pump Data |            |            |             |            |            |             |            |            |             |
| No.                     | Type    | Liner (in) | MW (ppg) | Eff (%) | SPM (SPM) | SPP (psi) | Flow (bpm) | Depth (m)      | SPM1 (SPM) | SPP1 (psi) | Flow1 (bpm) | SPM2 (SPM) | SPP2 (psi) | Flow2 (bpm) | SPM3 (SPM) | SPP3 (psi) | Flow3 (bpm) |
| 1                       | A1700PT | 6.500      | 8.65     | 97      | 73        | 2300      | 8.71       |                |            |            |             |            |            |             |            |            |             |
| 2                       | 12P 160 | 6.500      | 8.65     | 97      | 73        | 2300      | 8.71       |                |            |            |             |            |            |             |            |            |             |
| 3                       | 12P 160 | 6.500      | 8.65     | 97      | 73        | 2300      | 8.71       |                |            |            |             |            |            |             |            |            |             |

| OD (in) | Csg Shoe MD (m) | Csg Shoe TVD (m) | Csg Landing Depth MD (m) | Csg Landing Depth TVD (m) | LOT/FIT (ppg) |
|---------|-----------------|------------------|--------------------------|---------------------------|---------------|
| 30 "    | 110.80          | 110.80           | 110.80                   | 110.80                    | 0.00          |

| Personnel On Board            |           |  |
|-------------------------------|-----------|--|
| Company                       | Pax       | Comment  |
| UPSTREAM PETROLEUM            | 3         |  |
| NEXUS                         | 1         |  |
| DOGC                          | 54        | 45 x DOGC<br>5 x DOGC extra( 2 x welders, 1 x crane op)<br>4 x DOGC other (3 x painter, 1 x tyco engineer) |
| DOWELL SCHLUMBERGER           | 2         |  |
| WEATHERFORD AUSTRALIA PTY LTD | 3         |  |
| CAMERON AUSTRALIA PTY LTD     | 1         |  |
| FUGRO SURVEY LTD (ROV)        | 6         |  |
| [Not found in lookup]         | 5         | 3 x MWD, 2 x electricians  |
| [Not found in lookup]         | 2         |  |
| [Not found in lookup]         | 1         |  |
| ESS                           | 8         |  |
| GEOSERVICES OVERSEAS S.A.     | 2         |  |
| <b>Total</b>                  | <b>88</b> |  |

| HSE Summary   |              |            |   |         |
|---------------|--------------|------------|---|---------|
| Events        | Date of last | Days Since | Descr.  | Remarks |
| Abandon Drill | 09 Jul 2006  | 4 Days     | Weekly abandon rig drill  |         |
| Fire Drill    | 09 Jul 2006  | 4 Days     | Weekly fire drill   |         |
| JSA           | 13 Jul 2006  | 0 Days     | Drillcrew 12, deckcrew 4, mechanic 0, subsea 0, Painters 1, welder 3. |         |

| HSE Summary         |              |            |                             |                   |
|---------------------|--------------|------------|-----------------------------|-------------------|
| Events              | Date of last | Days Since | Descr.                      | Remarks           |
| Man Overboard Drill | 20 Jun 2006  | 23 Days    | Monthly man overboard drill | 0100/1300/1900hrs |
| Safety Meeting      | 09 Jul 2006  | 4 Days     | Weekly crew safety meetings |                   |
| STOP Card           | 13 Jul 2006  | 0 Days     | Safe 4 un-safe 8            |                   |

| Shakers, Volumes and Losses Data |          |        |            |
|----------------------------------|----------|--------|------------|
| Available                        | 1,790bbl | Losses | 2,217.9bbl |
| Active                           | 340bbl   | Sweeps | 2,217.9bbl |
| Reserve                          | 1,450bbl |        |            |

| Marine                 |              |            |              |            |              |                  |             |         |               |
|------------------------|--------------|------------|--------------|------------|--------------|------------------|-------------|---------|---------------|
| Weather on 13 Jul 2006 |              |            |              |            |              |                  | Rig Support |         |               |
| Visibility             | Wind Speed   | Wind Dir.  | Pressure     | Air Temp.  | Wave Height  | Wave Dir.        | Wave Period | Anchors | Tension (klb) |
| 10.0nm                 | 10kn         | 191.0deg   | 1028.0mbar   | 12C°       | 1.5m         | 191.0deg         |             | 1       | 185.0         |
| Rig Dir.               | Ris. Tension | VDL        | Swell Height | Swell Dir. | Swell Period | Weather Comments |             | 2       | 223.0         |
| 270.0deg               |              | 4825.00klb | 1.5m         | 191.0deg   |              |                  |             | 3       | 229.0         |
| Comments               |              |            |              |            |              |                  |             | 4       | 247.0         |
|                        |              |            |              |            |              |                  |             | 5       | 386.0         |
|                        |              |            |              |            |              |                  |             | 6       | 333.0         |
|                        |              |            |              |            |              |                  |             | 7       | 240.0         |
|                        |              |            |              |            |              |                  |             | 8       | 214.0         |

| Vessel Name | Arrived (Date/Time) | Departed (Date/Time) | Status          | Bulks              |      |      |             |                |
|-------------|---------------------|----------------------|-----------------|--------------------|------|------|-------------|----------------|
| Far Grip    |                     |                      | En-route to rig | Item               | Unit | Used | Trf. to Rig | Qty. Remaining |
|             |                     |                      |                 | Diesel             | m3   | 18   |             | 712            |
|             |                     |                      |                 | Fresh Water        | m3   | 7    |             | 505            |
|             |                     |                      |                 | Drill Water        | m3   |      |             | 320            |
|             |                     |                      |                 | Cement G           | mt   |      |             | 0              |
|             |                     |                      |                 | Cement HT (Silica) | mt   |      |             | 0              |
|             |                     |                      |                 | Barite Bulk        | mt   |      |             | 85             |
|             |                     |                      |                 | Bentonite Bulk     | mt   |      |             | 0              |

Bentonite figure is yet to be confirmed.

|                  |    |  |                   |                    |      |      |             |                |
|------------------|----|--|-------------------|--------------------|------|------|-------------|----------------|
| Pacific Wrangler |    |  | Taking back load. | Item               | Unit | Used | Trf. to Rig | Qty. Remaining |
|                  |    |  |                   | Diesel             | m3   | 11.9 |             | 642.7          |
|                  |    |  |                   | Fresh Water        | m3   | 5    |             | 205            |
|                  |    |  |                   | Drill Water        | m3   |      |             | 80             |
|                  |    |  |                   | Cement G           | mt   |      | 74          | 0              |
|                  |    |  |                   | Cement HT (Silica) | mt   |      | 69.2        | 0              |
|                  |    |  |                   | Barite Bulk        | mt   |      |             | 0              |
|                  |    |  |                   | Bentonite Bulk     | mt   |      | 29.6        | 0              |
| Brine            | m3 |  |                   | 0                  |      |      |             |                |

Off loading of bulks suspended due to bad weather. Taking back load.

| Helicopter Movement |                                       |               |            |                                      |
|---------------------|---------------------------------------|---------------|------------|--------------------------------------|
| Flight #            | Company                               | Arr/Dep. Time | Pax In/Out | Comment                              |
| 1                   | BRISTOW HELICOPTERS AUSTRALIA PTY LTD | 0724 / 0733   | 2 / 6      | Fuel remaining on board 1697 litres. |