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DRILLING FLUID SUMMARY

FOR : KAROON GAS

WELL : MEGASCOLIDES # 2

GIPPSLAND BASIN

VICTORIA

Prepared by : Peter Aronetz
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Date : January 2007

Operator	**:**	**Karoon Gas**
Well	**:**	**Megascolides # 2**
Rig	**:**	**Century Rig 11**
Spud	**:**	**4th January 2007**

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Operator : **Karoon Gas**
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1. WELL DATA & SUMMARY

WELL DATA:

Operator:	**KAROON Gas - UPSTREAM Petroleum**	
Contractor:	**CENTURY**	**Rig 11**
Well type:	**Appraisal**	**PEP 162 EL 4537**
Eng. Arrival Date:	**2 January 2007**	**20:00 hrs**
Spud Date:	**4 January 2007**	**14:00 hrs**
TD Date:	**31 January 2006**	**09:00 hrs**
Rig Release Date:	**3 February 2007**	**18:00 hrs**
Eng. Release Date:	**5 February 2007**	**07:00 hrs**
Total Days on Well:	**35**	

Interval		Hole Depth (m)	Casing Size (inch)	Interv. Depth (m)	Mud Wt. (lb/gal)	Mud Type
12¼" Hole		**510**	**9 5/8"**	**495**	**9.1**	**Gel/Native Clays**
8½" Hole		**2130**	**NONE**	**1620**	**9.4**	**KCl / PHPA / Polymer**
				Total	**Chemicals:**	**$ 60,335.75**

Operator : **Karoon Gas**
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SUMMARY:

After the move from MEGASCOLIDES 1 and with rig-up and repairs completed, the well was spudded at 14:00 hrs on the 4th of January 2007, utilising Century Rig 11.

Fluid left in the sump at the MEGASCOLIDES 1 location had been reclaimed, trucked to this site and re-cycled. Average properties of this fluid were as follows:

pH	:	8.0
Pf/Mf	:	0.0 / 0.95
Chlorides	:	4700 mg/l
Hardness	:	600 mg/l

Drill water was pumped from a small lake, located across from Hunters Road. The initial supply found in the day tank, prior to the start of well operations, had the following properties:

pH	:	7.0
Chloride	:	375 mg/l
Pf/Mf	:	0.0 / 0.1
Total Hardness	:	120 mg/l

The 12¼" surface hole was drilled to 510 m and 9-5/8" casing set and cemented at 506 m. 8½" hole was drilled to 2130 m and logs run at that depth. Proceeded to plug and abandon well.

The rig was released on the 3rd of February 2007.

Operator : **Karoon Gas**
Well : **Megascolides # 2**
Rig : **Century Rig 11**
Spud : **4th January 2007**

HOLE SIZE : **12 1/4"**
MUD TYPE : **Bentonite & Native Clays**
INTERVAL : **0 – 510 metres**
CASING : **9-5/8" @ 506 metres**

The decision had been made to re-use as much of the fluid left behind in the sump at MEGASCOLIDES-1 site as possible. The fluid was transferred by using vacuum disposal tankers and the mud tanks were filled to the trough line, 20" below capacity.

During the rig-up phase some Bentonite was added to the recycled fluid in the suction tank. As this fluid contained some 4000 mg/l of chloride ion, this procedure had only limited results. This mixture was used to drill the rat and mouse holes and the socks were installed. The fluid remained in the Suction tank. A 45 bbl batch of 20 ppb Bentonite was pre-hydrated in the pill tank and added to the reclaimed fluid in the Solids control tank, to impart some viscosity to the recycled fluid there. A further batch of pre-hydrated Gel-mud was prepared and left in the pill tank to be on hand for spudding.

During the final phase of the rig up, a 12¼" SECURITY milled tooth bit, type XS15, SN 10826043, with 3x20 jets installed (0.917in^2 TFA) was made up to a bit sub and Kelly in readiness for the well spud.

This happened at 14:00 hrs on the 4th of January 2007. Drilled while picking up the BHA. This consisted of 2x8" DC, a string stabiliser, 12x6¼" DC, jars and three more 6¼" drill collars, the entire BHA having a length of 222.8m.

The following deviation surveys were run on the way to casing point at 510m:

Drilled Depth	Survey Depth	Reading
79m	67m	0°
178m	166m	1¼°
216m	204m	1°
328m	316m	½°
431m	419m	¾°
510m	503m	1°

During the initial phase of drilling this interval, extra Bentonite was pre-hydrated in the pill tank and added to the system to increase the rheology and carrying capacity of the fluid. But in due course, there were some mud making clays penetrated and after the first 114 sx of Gel, no further Bentonite additions were required to maintain good rheological properties. The fluid was however treated with Caustic Soda and Biocide, the latter to forestall any bacterial activity.

The solids control equipment was used right from the start; the DFE Linear Motion shale shakers had been fitted with 3x84 mesh screens each and the hydro-cyclone solids removal appliances used from the first circulation on. They worked well and

discarded for most of the time an underflow weighing in excess of 10.0 ppg and on occasion 12.0 ppg plus.

Surface volume was maintained with further deliveries of fluid re-claimed from the sump at MEGASCOLIDES-1. This fluid exhibited a surprisingly low pH (around 8.0), the Chloride ion count had dropped to ~4400 mg/l and the Total Hardness level to 500 mg/l.

Drilling progressed with relatively low ROP's to the planned casing point of 510 m. At this depth 25 bbls of a 0.4 ppb XTRA-SWEEP pill was circulated around to check on the hole cleaning. No extra cuttings were brought up during that procedure. Mixed and pumped a Barite-based heavy pill and POOH to surface. Laid down the 12¼" string stabiliser and 8" drill collars.

Rigged up for running casing, but incomplete running gear and problems with the stabbing board prevented the casing from being run at this time. Made up a new BHA, excluding the 2x8" DC and 12¼" stabiliser and RIH to 483 m. Reamed and washed to bottom, then circulated, while waiting for the missing items and while adjustments were made to the stabbing board.

Once all the casing running gear had become available and was rigged up, 43 lengths of 9-5/8" casing were run in the hole without problems, the landing joint was washed down as a precautionary measure. Circulated hole clean, while rigging up HALLIBURTON.

Pumped 15 bbls water spacer and pressure test lines. A further 5 bbls water were then pumped. Cemented casing with 103 bbls of 12.5 ppg Lead CMT and 30 bbls of 15.8 ppg tail-in. Dropped plug and displaced cement with 124 bbls water. Bumped plug and pressure tested OK. Cement was not returned to surface, only cement contaminated water was seen on the flow-line. Returns were lost before displacement was completed. Prepared for and carried out cement top-up job.

Rigged down HALLIBURTON and waited on cement to set WOC.

During this interval a total of 1050 bbls of fluid had been reclaimed from the M – 1 sump, resulting in a saving on disposal costs at $0.15 per litre of $25,042. No fluid was re-used from the sump on site.

Operator : **Karoon Gas**
Well : **Megascolides # 2**
Rig : **Century Rig 11**
Spud : **4th January 2007**

HOLE SIZE : **8 1/2"**
MUD TYPE : **KCl / PHPA / POLYMER**
INTERVAL : **510 – 2130 metres**
CASING : **Not run**

After waiting for the cement to set, cut the 16" conductor, installed Bradenhead and nippled up BOP. Prepared for and carried out function and pressure tests. This was followed by a detailed calibrating and fine-tuning of the two electronic Pit Volume Totaliser systems available on the rig: The rigs own AOI system and the BHI Mud-logging Unit installation.

With these activities in progress, the 8½" BHA was made up. For this a SECURITY PDC bit, type FM3553, S/N 10881881, with 5 x 11 jets installed (TFA 0.463in^2) was made up to a NB stabiliser and a 3 m, 6½" Pony DC. A second stabiliser with a TOTCO ring installed and the MONEL DC were next.

11 conventional 6¼" Drill Collars were run, before the jars were made up, followed by 3 x 6¼" DC. These were followed by the usual 6 lengths of 4½" HWDP. The total length of the entire BHA came to 218.3m

RIH to tag the top of the cement, which was found at 490 m. Slipped and cut drilling line. At this stage continued with calibration of the PVT systems. The stated aim of this exercise was to have both systems operate at an accuracy of better that 95%.

Once that had been achieved, a casing pressure test to 2500 psi was carried out successfully. Drilled out shoe track with water, using a short system incorporating only the pill tank and made new hole to 513 m. Displaced well to 1.3% KCl/PHPA/ POLYMER fluid. Circulated hole clean and carried out a Formation Integrity test with 8.55 ppg fluid in the hole. Leak-off pressure was established at 1100 psi, giving a calculated fracture rating of the CSG seat of 21.3 ppg equivalent fluid density. Resumed drilling.

The drilling fluid used for this interval was initially based on fluid reclaimed from the sump at the site of MEGASCOLIDES -1. This had been left behind only two weeks earlier, after the re-entry and sidetracking of the original well, drilled two years ago.

Fluid from that source had already been used for the drilling of the surface hole, but that volume was dumped after the completion of the cementing job. The mud-tanks were refilled with 480 bbls of recycled fluid, to which 50 bbls of lease water were added. The resulting volume was treated with Biocide and the following mud chemicals added:

KCl	:	18 sacks
Pac-R	:	6 sacks
Xanthan Gum	:	3 sacks
PHPA	:	2 sacks

This fluid was used for the FIT and after drilling resumed. At this point SODIUM SULPHITE was phased in to act as oxygen scavenger and assist with corrosion control.

The first step of the subsequent treatment was to increase the PHPA concentration. The 1.0 ppb mark was passed at about 700 m. Additions were scaled back after a level of 2.0 ppb had been reached at around 900 m. The next step was to reduce the filtrate, which was achieved by adding PAC-R to the system. XANTHAN Gum was used to raise the low-end rheology and carrying capacity of the fluid.

The interval had been started with 2 x 140 mesh and 1 x 84 mesh screens installed on each shaker. At a depth of 900 m, this configuration was upgraded to 2 x 175 mesh and 1 x 140 mesh. Generally the cuttings discharge from the shakers was allowed to be relatively wet, to reduce the amount of time the cuttings spent on the screens. The fluid so discharged was allowed to drop much of its solids content in the sump, from where it was also recycled, to maintain surface volume. This method greatly assisted solids control, the mainstay of which - besides the shale shakers - was provided by the desander and desilter.

The KCl content was maintained in close consultation with the well-site geologist and was not allowed to substantially exceed 1.5%.

The same consultations also resulted in 40 micron Calcium Carbonate being ordered and delivered to the location. This was intended to be available for control of lost circulation in fractures, but also as a high-density material to be used for heavy pills. The main advantage of this material is that it can be acidised if and when the need arises. With its relatively coarse grain size, it is relatively easily removed from the system by the solids control equipment and this will prevent an unwanted increase in fluid density after repeated applications. In the event, it proved quite easy to maintain a given fluid density.

At a depth of 1330 m instructions were received to slightly increase the fluid density from 8.7 to 8.9 ppg, to counteract observed hole instability. However, increasing the KCl concentration beyond 1.5% was not an option. At this time an increased depletion of the K+ ion was observed, so extra KCl addition did become necessary. Also a marginally accelerated build-up of reactive clay fines was observed. For the rest of the required gain in density, the hydro-cyclone solids control equipment was selectively and intermittently taken off line. By 1380 m the fluid density had increased to the requested 8.9 ppg level.

At a depth of 1421 m the decision was made to pull the bit. Mixed a heavy pill, using the newly supplied 40 micron Calcium Carbonate ($CaCO_3$). Circulated hole clean, checked for flow, pumped heavy pill and POOH.

Picked up NB3, an 8½" DBS PDC bit, type SE 3653Z, S/N 1082 5011, with 6 x 11 jets installed, with a resulting TFA of 0.555 in^2. The remainder of the BHA was left unchanged and RIH on 4½" DP to 1399 m. Reamed washed to bottom and resumed drilling at 1421 m.

The rate of penetration with this bit never did reach satisfactory levels and at a depth of 1578 m the decision was made to terminate this bit run. Mixed a Calcium Carbonate-based heavy pill, circulated bottoms up and checked for flow, with the well being static. Pumped heavy pill and POOH to surface, with clear hole conditions.

In view of the need to be more easily able to pin-point the upcoming core point, a tri-cone insert bit was chosen to continue the drilling process. This was a previously used SEC/DBS tri-cone insert bit, Type XS16D, IADC code 447X, SN 743418, with 3 x 13 jets installed and a resulting TFA of 0.388 in^2. This was run in the hole on the otherwise unchanged BHA to 1568 m. Picked up Kelly to ream and wash to bottom, bedded in the bit and resumed drilling.

Past the 1600 m mark, the geological observations indicated that tectonically stressed formation layers were being penetrated and that extra fluid density would be advantageous to the overall hole condition. Thus the decision was made to incrementally raise that parameter and by 1630 m a mud weight of 9.0 ppg had been achieved throughout the entire system. 40 micron Calcium Carbonate was the weighting material used. Besides providing the required density, that size material did also aid the closing off of thin fractures which had frequently been encountered, although most of them so far had been Calcite-filled.

Drilled to 1722 m when the decision was made to carry out a check trip. Circulated hole clean, ran a W/L deviation survey and POOH to 1530 m with good hole conditions. Ran back in the hole to 1701 m and picked up Kelley. Found and tagged 1m fill, washed to bottom at 1722 m and resumed drilling. Further Calcium Carbonate was added to the system to increase the fluid density marginally to 9.2 ppg. This was assisted by the addition of KCl which had become necessary, as the KCl concentration had dropped below the specified 1.5%.

The drilling rate remained slow and at a depth of 1810 m it was decided to terminate this bit run. Mixed a heavy pill, using CaCO3, circulated hole clean and dropped survey barrel. Pumped heavy pill and POOH to surface. Hole conditions were good, no over-pull was recorded.

Made up NB5, a SECURITY/DBS tri-cone insert bit, Type EBXS12DS, IADC Code 437, SN 1085 0552, with 1 x 13 and 2 x 14 jets installed and a resulting TFA of 0.429in^2. Extended BHA, by picking up three additional 6¼" DC, making the new

BHA length 245.4m. RIH on 4½" DP to casing shoe to slip and cut 138 ft drilling line. Continue RIH to 1000 m and broke circulation

Continued in the hole to 1784 m, picked up Kelly and washed to bottom. Resumed drilling at 1810 m and continued to 2018 m. By this depth the bit started to show some increased and erratic torque and it was decided to terminate the bit run. Circulated out, mixed and pumped heavy, Calcium Carbonate-based pill, dropped DS barrel and POOH to SFC.

Made up the previously used 8½" DBS PDC bit, Type SE3653Z, SN 1082 5011, 6 x 11 jets, to an otherwise unchanged BHA and RIH to 488 m. Slipped 33 ft drilling line and continued in the hole. Broke circulation at 1000 and 1500 m. The string took weight between 1598 and 1607 m and was briefly stuck at this depth. Worked string and jarred free with one blow.

Worked string and then continued RIH to bottom at 2018 m, without finding any fill. Picked up Kelley and on resumption of drilling recorded excess standpipe pressures. Calculations showed, that as many as 4 of the 6 jets could be plugged. However drilling was resumed, but very slow rates of penetration were recorded. The pump rate was restricted to 300 GPM, because of the excess pressures generated, when attempting to raise the pump rate to the desired 450 GPM.

At a depth of 2065 m the rate of penetration was deemed to have become unsatisfactory and the decision was made to pull the bit. Mixed and pumped a Calcium Carbonate-based heavy pill and pulled the drill string from the hole. The recovered bit had 4 out of its 6 size 11 jets plugged, but was otherwise in good condition.

During these last two bit-runs, the fluid system proved to be quite stable. Fluid re-claimed from the sump at Megascolides 1 had been exclusively used to make up 40 bbls batches of polymer pre-mix starting from the time 8½" hole was drilled until about 1400 m. At this time it became necessary to use for this purpose fluid from the local sump, as very wet weather conditions had contributed to an appreciable rise of the fluid level there.

The reclaimed fluid had for most of the time a density of 8.5 ppg. By the time a depth of 1900 m had been reached, the continuous influx of water into the sump – which had well exceeded the volume of fluid reclaimed – gave rise to concern and the decision was made to transfer some volume to the sump on the proposed next location (Raniformus) for re-use. On orders from town, this destination was changed to the sump at location Megascolides 1 and 1680 bbls were transferred there on the 26th of January.

After this operation, it was lo longer possible to recycle fluid from the local sump, as the remaining volume there was too solids-contaminated to be of any real use. The main constituents of the drilling fluid were Xanthan Gum and PAC-R for rheology and fluid-loss control, $CaCO_3$ for density and curing of seepage losses. Caustic Soda and Soda Ash were applied for pH and Total Hardness control.

Biocide G (Gluter-Aldehyde) provided protection against bacterial degradation and AMC Defoamer assisted the operations of the mud pumps, with keeping air-entrapment to a minimum. Finally additions of Sodium Sulphite helped to keep the oxygen content of the fluid low and so reduce the corrosivity of the mud.

At a depth of 2065 m a new 8½" SECURITY tri-cone insert bit, type EBXS16DS, IADC Code 447 with 3x13 jets installed, SN 1085 1000, was made up to the otherwise unchanged BHA and ran back in the hole to 2049 m. Picked up kelly, reamed and washed to bottom and resumed drilling. Nearly immediately tight hole was encountered and the decision was made to raise the fluid density to 9.4 ppg.

This alleviated the hole problems and drilling continued with a penetration rate of between 1 and 3 m/hr. At a depth of 2130 m orders came through for the drilling to be halted and TD to be called. The hole was circulated clean, a heavy Calcium Carbonate-based heavy pill mixed and pumped and the drill string pulled.

The first 5 stands were pulled slowly, the remainder of the string to 1250 m at regular tripping speed. Ran back to 2129 m and found 1 m fill. Washed to bottom, mixed and pumped 25 bbls of XTRA-SWEEP and circulated out. There was no indication of insufficient hole cleaning. Mixed and pumped a Calcium Carbonate-based heavy pill and strapped out of the hole for E-logs.

Deviation surveys had been carried out at the following depths on the way to the proposed coring point at ~1700 m. This core point did however not eventuate and drilling continued to the final depth of 2130 m. These surveys were taken at:

Drilled Depth	Survey Depth	Reading
604m	592m	Misrun
642m	630m	Misrun
651m	639m	Misrun
717m	705m	3°
887m	875m	Misrun
896m	884m	3°N5W
999m	987m	4°N15W
1102m	1093m	4½°N25W
1206m	1194m	5¾°N35W
1306m	1296m	4¾°N15W
1411m	1399m	4°N20W
1505m	1493m	4½°N22W
1722m	1710m	3°N35E
1810m	1798m	Misrun – double exposure
1833m	1810m	2¼°N56E
1927m	1912m	3¾°N84E
2065m	2055m	8½°N75E

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Rigged up PRECISION LOGGING and commenced logging program with a Super-combo run. The logging tools went to bottom, registering a maximum depth of 2132 m. The hole gauge record showed the hole to be generally in reasonable gauge, however in those sections where tectonic stresses had already been observed while drilling, hole enlargement was in evidence. There are also clear indications, that the hole cross sections of these enlarged intervals are oval, rather than round.

The first logging run was followed by a High Resolution tool run from TD to 950 m and the logging suite was concluded with a velocity survey. At the completion of the logging program, confirmation was received to plug and abandon this well.

The abandonment program included three cement plugs, which were set as follows, (All utilising 15.8 ppg cement):

Plug 1	925m	to	825m	33.6 bbls	
Plug 2	550m	to	437m	37.0 bbls	Tested w/- 20K lbs
Plug 3	55m	to	SFC	12.0 bbls	

15 bbls of XANTHAN-Gum based HiVis pills were spotted prior to the setting of each cement plug, to discourage inversion of the cement.

Nippled down BOPs, cut casing and welded cover plate in place.

The rig was released at 18:00 hrs, on the 3rd of February 2007.

2. OBSERVATIONS, RECOMMENDATIONS AND WELL ANALYSIS

This well was drilled as programmed, no major deviations from the program were necessary. E-logs reached TD with out problems.

One divergence from the original fluid program should be noted, and that was the use of Calcium Carbonate as weight material. This was chosen after on- and off-site discussions, when it became clear, that higher fluid densities were required. $CaCO_3$ was chosen, as it could be acidized if required and its grain size (40 micron) made it eminently suitable to close off small fractures, which had been taking fluid all along. In fact down-hole fluid losses reduced markedly, after this component had been added to the fluid system.

The density of the fluid at the end of the well (9.4 ppg) was as requested by the geology department, to counteract the tectonic stresses experienced. Had it not been for that component, a much lower fluid density would have been possible – in contrast to MEGASCOLIDES 1, which reached TD with a density of 9.9 ppg.

The shale shakers worked well, like for the previous well, a combination of 2x175 + 1x140 mesh screens were used with good effect below 900m. Assisting the solids control was the way the shale shakers were operated. Allowing for a relatively wet cuttings discharge from the screens, 'Surface equipment' mud losses were incurred. However a good part of the fluid so discharged was allowed to drop its drilled solids and was then re-cycled and used for the preparation of premixed polymers. A total of 1300 bbls of fluid were thus recycled from the sump on location.

Replacement cones for the de-silter became available just before the well reached TD. As several of the existing cones were badly washed, the efficiency of the desilter was somewhat impaired prior to the new cones being installed.

In the main, the tank system and the associated equipment worked at an acceptable level. The passage area on the solids-control tank would benefit from the relocation of the 6" line, which supplies the desander. It does constitute a real obstacle.

One problem, that still requires urgent rectification is the skimmer-equaliser in the solids-control tank. The current arrangement does not permit the skimmer to be completely raised and thus fully isolate the Solids-control tank from the Suction/Premix/Pill tank combination. A position that is required, when a shortened system is to be used, which needs isolation from the remaining tank system . On one occasion the riser had been – with a lot of effort - lifted to its highest possible position (still not high enough), it then proved near impossible to lower it again.

The answer would appear to be the addition of a 45° elbow to the movable skimmer pipe, thus raising the overflow level of the skimmer and secondly a re-

design of the raising/lowering winch and associated cabling. Thirdly servicing of the rotational joint of the skimmer may make moving it to and from its extreme positions much easier.

Sump Fluid Retrieval

Up to and including the make-up of the drilling fluid for the 8½" interval a total of 1530 bbls of fluid had been reclaimed from the sump at the M-1 site. A further 400 bbls were reclaimed while drilling 8½" hole to 1420 m. At a stated cost of $0.15 per litre, this has resulted in a cost saving of $46,000 on disposal fees alone. Handling and transportation costs have not been considered, as they would have been incurred regardless.

After the 17th of January and below 1420 m it became imperative to re-use fluid from the sump on site as the fluid level there had increased substantially. Because of ongoing heavy rains, overflowing of the sump had become a distinct possibility. On the 26th of January 268 m^3 or 1685 bbls of fluid were transferred from the sump on location to the sump on the site of Megascolides-1.

From this point onward is was no longer possible to re-use fluid from the sump for drilling fluid purposes, as the recoverable fluid there had become laden with solids and weighed 9.2 to 9.4 ppg. A total of 1270 bbls of fluid had been recycled locally. Below 1980 m drill water was used to prepare pre-mixed Polymer volume.

Hole Gauge

Hole gauge was poor on the originally drilled Megascolides # 1. This well was drilled with a fresh water gel based drilling fluid. As a consequence of the poor gauge, a KCl based fluid was used on the re-entry and sidetracking of Megascolides # 1. Unfortunately, hole gauge was also relatively poor on the sidetracked section despite using KCl.

A series of Laboratory tests were conducted just prior to this well being drilled. (See Appendix 1 for the Test Results – the same results were added to the end of the Megascolides # 1RE ST1 Mud Recap, but has also been appended on to this recap for quick reference if required.) These tests determined that a KCl based mud with a high level of PHPA would best reduce the dispersive characteristics of the formations that were prone to washing out.

It was felt by the Wellsite Geologist that gauge was fairly good on this well, with some areas of washout corresponding to areas where formations appeared to be tectonically stressed. Consequently, it is now felt that the KCl PHPA based fluid used on this well is optimal for the area.

3. INTERVAL COSTS

Product		Cost	Unit Size	12-1/4" Surface Hole Used	12-1/4" Surface Hole Cost	12-1/4" Surface Hole %Cost	8-1/2" Production Hole Used	8-1/2" Production Hole Cost	8-1/2" Production Hole %Cost	Total Well Consumption Used	Total Well Consumption Cost	Total Well Consumption %Cost
		Interval :		0 - 510 m			510 m - 2130 m			0 - 2130 m (TD)		
AMC Biocide G	$	188.33	25 lt	3	$564.99	19.5%	14	$2,636.62	4.6%	17	$3,201.61	5.3%
AMC Defoamer	$	146.40	25 lt				12	$1,756.80	3.1%	12	$1,756.80	2.9%
AMC Pac-R	$	162.49	25 kg				47	$7,637.03	13.3%	47	$7,637.03	12.7%
AMC PHPA	$	120.61	25 kg				92	$11,096.12	19.3%	92	$11,096.12	18.4%
Aus-Gel	$	12.19	25 kg	114	$1,389.66	48.0%	1	$12.19	0.0%	115	$1,401.85	2.3%
Baryte	$	9.95	25 kg	68	$676.60	23.4%	10	$99.50	0.2%	78	$776.10	1.3%
Calcium Carbonate - 40µ	$	11.65	25 kg				1086	$12,651.90	22.0%	1086	$12,651.90	21.0%
Caustic Soda	$	50.73	18.2 kg	3	$152.19	5.3%	11	$558.03	1.0%	14	$710.22	1.2%
Citric Acid	$	73.25	18.2 kg				1	$73.25	0.1%	1	$73.25	0.1%
Kwikseal C	$	58.63	25 kg				2	$117.26	0.2%	2	$117.26	0.2%
Lime	$	9.35	25 kg				1	$9.35	0.0%	1	$9.35	0.0%
Potassium Chloride (TG)	$	20.12	25 kg				222	$4,466.64	7.8%	222	$4,466.64	7.4%
Soda Ash	$	18.30	200 lt				32	$585.60	1.0%	32	$585.60	1.0%
Sodium Sulphite	$	37.68	25 kg				50	$1,884.00	3.3%	50	$1,884.00	3.1%
Xanthan Gum	$	362.19	12 lb				38	$13,763.22	24.0%	38	$13,763.22	22.8%
Xtra - Sweep	$	112.40		1	$112.40	3.9%	1	$112.40	0.2%	2	$224.80	0.4%
Totals :					**$2,895.84**	**100.0%**		**$57,459.91**	**100.0%**		**$60,355.75**	**100.0%**
Cost per Metre :					**$5.68**			**$35.47**			**$28.34**	

3.2 COST ANALYSIS by INTERVAL

INTERVAL	12¼"HOLE	8½" HOLE	WELL TOTAL
	SFC- 510m	510-2130m	
CASING	9 5/8" 36#	7" 23#	
Set	507m	NOT RUN	
Total Cost - Interval	$2,895.84	$57,459.91	$60,355.75
Interval days	6	25	31
Metres drilled	510.0 m	1620.0 m	2130.0 m
Mud mixed	1140 bbls	2450 bbls	3590 bbls
Cost per day	$482.64	$2,298.40	$1,946.96
Cost per metre	$5.68	$35.47	$28.34
Drilling fluid mixed per m hole drilled			
	2.24 bbls	1.51 bbls	1.69 bbls
Cost per bbl	$2.54	$23.45	$16.81

4. MATERIALS RECONCILIATION

MEGASCOLIDES 2 **TRANSFERRED TO: CRC # 1**

PRODUCT	Cost	lbs per UNIT	MEGA SCOLIDES 1-RE	Starting Balance	Written off Damage	TOTAL Received	TOTAL Used	FINAL BALANCE
AMC Biocide G	$188.33	50	16	16		32	17	15
AMC Defoamer	$146.40	55	3	3		30	12	18
AMC PAC-R	$162.49	55	71	71		103	47	56
AMC PHPA	$120.61	55	60	60		110	92	18
AUS-BEN		55						
AUS-DEX	$58.79	55	96	96				
AUS-GEL	$12.19	55	366	366		366	115	251
Baryte	$9.95	55	524	524		524	78	446
Calcium Carbonate - 40µ	$11.65	55				1440	1086	354
Caustic Soda	$50.73	55	21	21		21	14	7
Citric Acid	$73.25	55	38	38		38	1	37
Class A Cement		88						
KWIKSEAL - C	$58.63	40	32	32		32	2	30
KWIKSEAL - F	$58.63	40	32	32		32		32
KWIKSEAL - M	$58.63	40	32	32		32		32
Lime	$9.35	44	11	11		11	1	10
Potassium Chloride (TG)	$20.12	55	420	420		420	222	198
ROD-FREE 205Lt	$1,023.75	450	1	1		1		1
ROD-FREE 25Lt	$124.85	55						
Salt	$10.09	55						
SAPP	$73.46	55						
Soda Ash	$18.30	55	8	8		48	32	16
Sodium Sulphite	$37.68	55	20	20		62	50	12
Xanthan Gum	$362.19	55	16	16		62	38	24
XTRA - Sweep	$112.40	12	5	5		9	2	7

Total Weight Kg	**38,337**
Value of Stock on hand	**$52,254**

5. FLUID PROPERTIES SUMMARY

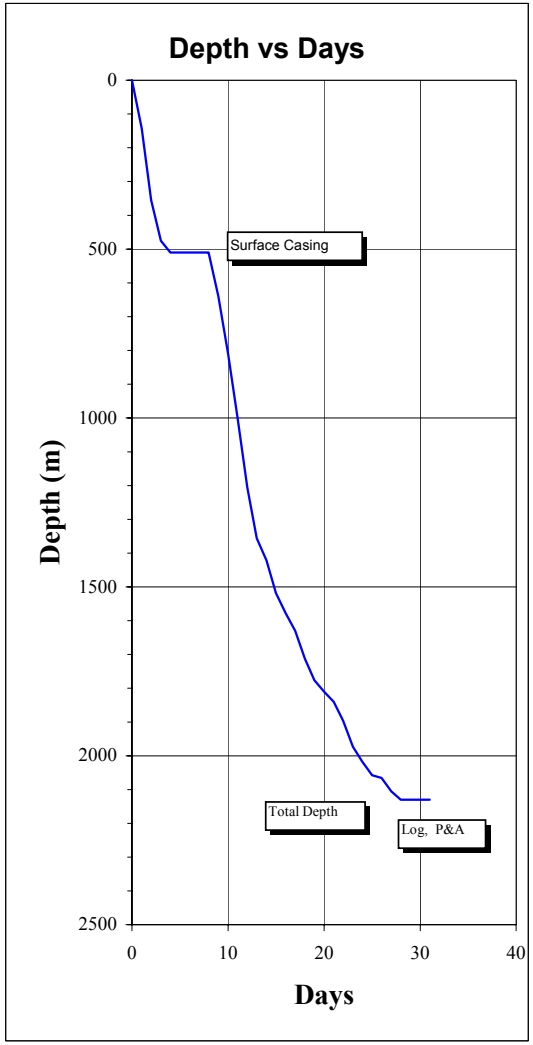
								Gels		Filtrate		Solids													
Date	Mud Type	Temp	Depth	Weight	Vis	PV	YP	10 sec	10 min	API	Cake	Solids	Water	Sand	MBT	pH	Pf	Mf	Pm	Cl-	Ca++	SO3=	K+	KCl
4-Jan-07	Recycled fro Mega # 1	28	44	8.70	35	4	3	0	1	18.5	1	2.3	97.7	0.2	6.0	8.0	0.00	0.00	0.28	4,000	280	0		0.0
	Recycled fro Mega # 1	34.5	142	8.90	46	8	13	8	9	17.0	1	3.8	96.2	0.2	16.0	8.3	0.32	0.05	0.42	3,400	420	0		0.0
5-Jan-07	Recycled fro Mega # 1	46.1	253	8.95	40	8	12	13	14	19.0	2	4.1	95.9	0.3	15.0	8.0	0.28	0.00	0.33	3,500	320	0		0.0
	Recycled fro Mega # 1	51.1	355	8.95	40	7	12	16	19	21.5	2	4.1	95.9	0.1	16.0	8.0	0.28	0.00	0.40	4,200	400	0		0.0
6-Jan-07	Recycled fro Mega # 1	52.3	415	9.00	40	5	11	16	20	22.5	2	4.4	95.6	0.2	17.0	8.0	0.23	0.00	0.45	4,100	560	0		0.0
	Recycled fro Mega # 1	53.5	475	9.10	37	5	13	20	22	27.5	3	5.1	94.9	0.1	18.0	8.0	0.15	0.00	0.52	4,400	680	0		0.0
7-Jan-07	Recycled fro Mega # 1	--	510	9.10	36	4	10	10	11	25.8	3	5.0	95.0	0.1	18.0	8.0	0.15	0.00	0.55	4,700	660	0		0.0
8-Jan-07	Recycled fro Mega # 1	38.5	510	9.10	36	4	9	11	16	23.5	3	4.8	95.2	0	16.0	8.0	0.10	0	0.52	4,600	660	0		0.0
9-Jan-07	Recycled fro Mega # 1	--	510	8.50	30	5	4	0	0	12.5	1	0.9	99.1	0	1.5	9.0	0.15	0.15	1.90	6,400	320	0	3,800	0.7
10-Jan-07	KCl PHPA Polymer	--	510	8.55	52	10	10	0	1	10.6	1	1.2	98.8	0	1.5	10.0	0.33	0.10	0.75	8,200	280	0	6,800	1.3
11-Jan-07	KCl PHPA Polymer	--	510	8.50	51	10	10	0	1	10.6	1	0.8	99.2	0	1.5	10.0	0.35	0.12	0.75	8,100	300	0	7,000	1.3
12-Jan-07	KCl PHPA Polymer	30.9	550	8.50	46	9	9	1	1	10.2	1	0.8	99.2	0.4	3.0	10.5	0.50	0.15	1.05	8,600	240	200	6,500	1.2
	KCl PHPA Polymer	35.5	640	8.60	42	8	9	1	1	8.8	1	1.5	98.5	0.5	3.5	10.2	0.46	0.12	1.25	8,900	300	180	7,600	1.4
13-Jan-07	KCl PHPA Polymer	39.2	740	8.65	41	9	7	0	1	7.5	1	1.8	98.2	0.4	3.0	10.0	0.42	0.11	1.20	8,800	320	150	8,100	1.5
	KCl PHPA Polymer	41.3	810	8.60	49	13	14	1	2	8.4	1	1.5	98.5	0.2	3.0	10.0	0.28	0.12	1.55	8,400	240	250	7,600	1.4
14-Jan-07	KCl PHPA Polymer	43.5	897	8.65	49	14	15	1	2	8.5	1	1.9	98.1	0.2	3.0	10.0	0.45	0.11	1.32	8,300	200	120	5,400	1.0
	KCl PHPA Polymer	45	999	8.60	51	15	18	2	3	8.0	1	1.6	98.4	0.1	3.0	9.5	0.24	0.08	1.48	8,300	160	200	5,400	1.0
15-Jan-07	KCl PHPA Polymer	47.3	1083	8.70	49	14	16	2	2	8.6	1	2.3	97.7	0.1	4.0	9.0	0.23	0.05	1.05	8,200	300	100	3,800	0.7
	KCl PHPA Polymer	48.3	1206	8.65	50	16	18	2	3	7.8	1	1.9	98.1	0.2	3.5	9.2	0.18	0.10	1.10	8,500	280	150	4,300	0.8
16-Jan-07	KCl PHPA Polymer	49.3	1300	8.70	58	19	25	4	5	7.8	1	2.3	97.7	0.2	4.5	9.8	0.32	0.10	0.95	9,200	180	250	5,900	1.1
	KCl PHPA Polymer	49.6	1356	8.80	55	18	24	3	4	7.4	1	2.8	97.2	0.2	5.5	10.0	0.46	0.10	1.00	10,500	100	200	9,200	1.7
17-Jan-07	KCl PHPA Polymer	51.5	1404	8.85	54	20	23	3	4	7.6	1	3.1	96.9	0.2	5.0	9.5	0.35	0.09	0.95	12,000	120	100	9,700	1.8
	KCl PHPA Polymer	53.2	1422	8.90	55	19	24	3	4	7.3	1	3.5	96.5	0.2	4.5	10.0	0.43	0.10	1.00	12,000	200	250	9,700	1.8
18-Jan-07	KCl PHPA Polymer	46.2	1433	8.85	55	18	21	2	3	7.4	1	3.2	96.8	0.2	5.0	10.0	0.38	0.12	0.88	11,000	240	120	9,200	1.7
	KCl PHPA Polymer	49.2	1519	8.95	57	21	24	3	4	7.2	1	3.9	96.1	0.3	5.5	9.8	0.35	0.06	0.90	11,000	180	250	9,200	1.7
19-Jan-07	KCl PHPA Polymer	52.3	1561	8.90	55	20	22	2	3	6.9	1	3.6	96.4	0.2	5.0	10.5	0.58	0.21	1.42	10,500	100	200	8,100	1.5
	KCl PHPA Polymer	53.8	1578	8.90	54	20	21	3	3	7.0	1	3.6	96.4	0.2	4.5	10.5	0.53	0.15	1.25	9,800	80	250	7,600	1.4
20-Jan-07	KCl PHPA Polymer	49.3	1587	8.90	54	20	20	2	3	7.0	1	3.6	96.4	0.2	4.5	10.5	0.55	0.14	1.30	10,800	60	250	8,100	1.5
	KCl PHPA Polymer	54.1	1630	9.00	51	19	19	2	3	6.8	1	4.3	95.7	0.3	5.0	10.0	0.44	0.13	1.18	11,000	160	200	8,600	1.6
21-Jan-07	KCl PHPA Polymer	54	1671	9.05	51	20	18	2	3	6.8	1	4.6	95.4	0.3	5.0	9.5	0.45	0.05	0.85	10,000	120	120	8,100	1.5
	KCl PHPA Polymer	53.6	1713	8.95	48	18	15	2	2	6.5	1	4.0	96.0	0.2	4.5	9.3	0.33	0.03	0.80	9,600	80	250	7,600	1.4
22-Jan-07	KCl PHPA Polymer	54.7	1750	9.10	56	21	27	3	5	6.2	1	5.1	94.9	0.4	5.0	9.5	0.40	0.10	0.85	9,400	60	100	5,900	1.1
	KCl PHPA Polymer	57.6	1776	9.15	56	23	25	3	4	6.0	1	5.3	94.7	0.3	6.0	10.2	0.53	0.15	1.05	11,800	80	200	9,700	1.8
23-Jan-07	KCl PHPA Polymer	58.2	1802	9.15	56	21	23	3	4	5.8	1	5.3	94.7	0.3	5.5	9.8	0.45	0.10	0.90	11,000	60	250	9,700	1.8
	KCl PHPA Polymer	59.6	1810	9.20	56	20	25	4	5	5.8	1	5.7	94.3	0.3	5.5	9.8	0.43	0.08	0.93	10,900	60	220	9,200	1.7
24-Jan-07	KCl PHPA Polymer	50.9	1812	9.30	56	20	23	3	4	5.6	1	6.4	93.6	0.3	5.0	9.8	0.45	0.10	0.92	11,200	80	120	9,200	1.7
	KCl PHPA Polymer	56.9	1840	9.25	54	19	23	2	3	5.5	1	6.0	94.0	0.3	5.0	9.0	0.26	0.03	0.75	11,000	160	200	8,600	1.6
25-Jan-07	KCl PHPA Polymer	58.5	1870	9.20	56	19	22	3	4	5.4	1	5.7	94.3	0.3	5.5	10.5	0.55	0.17	1.15	11,300	70	200	9,200	1.7
	KCl PHPA Polymer	59	1897	9.20	55	19	21	3	3	5.7	1	5.7	94.3	0.3	5.5	10.0	0.43	0.10	0.90	11,400	100	150	9,200	1.7
26-Jan-07	KCl PHPA Polymer	58.4	1932	9.25	55	19	23	3	4	5.8	1	6.0	94.0	0.3	5.5	10.3	0.52	0.10	1.00	11,200	80	250	9,200	1.7
	KCl PHPA Polymer	59.2	1973	9.30	56	20	22	4	5	5.6	1	6.4	93.6	0.3	5.0	9.8	0.39	0.08	0.85	11,000	80	100	9,200	1.7
27-Jan-07	KCl PHPA Polymer	58.5	2008	9.30	57	19	24	4	5	5.6	1	6.4	93.6	0.3	5.0	9.5	0.34	0.05	0.95	10,700	180	80	9,200	1.7
	KCl PHPA Polymer	59.1	2018	9.25	55	19	23	4	5	5.6	1	6.0	94.0	0.25	5.00	10.5	0.60	0.18	1.20	10,500	140	80	9,200	1.7
28-Jan-07	KCl PHPA Polymer	49.5	2022	9.30	60	18	25	4	5	5.6	1	6.4	93.6	0.2	4.5	9.5	0.35	0.05	0.88	10,000	160	120	8,600	1.6
	KCl PHPA Polymer	54.3	2058	9.30	58	19	26	4	6	5.8	1	6.4	93.6	0.3	5.0	10.0	0.44	0.12	1.22	10,000	100	250	8,100	1.5
29-Jan-07	KCl PHPA Polymer	55.6	2065	9.25	55	19	23	3	4	5.8	1	6.0	94.0	0.3	5.0	9.5	0.32	0.05	0.80	9,800	140	200	8,600	1.6
30-Jan-07	KCl PHPA Polymer	57.4	2077	9.35	60	18	29	6	8	5.5	1	6.8	93.2	0.2	5.0	10.5	0.55	0.18	1.40	9,500	60	100	7,600	1.4
	KCl PHPA Polymer	59.8	2105	9.45	58	18	28	4	7	5.6	1	7.5	92.5	0.2	5.0	10.0	0.44	0.14	1.35	10,700	100	80	8,100	1.5
31-Jan-07	KCl PHPA Polymer	59.2	2130	9.45	63	19	31	6	10	5.6	1	7.4	92.6	0.2	5.0	9.8	0.55	0.16	1.50	11,500	120	250	9,700	1.8
1-Feb-07	KCl PHPA Polymer	--	2130	9.45	63	19	31	6	10	5.6	1	7.4	92.6	0.2	5.0	9.8	0.55	0.16	1.50	11,500	120	250	9,700	1.8
2-Feb-07	KCl PHPA Polymer	--	2130	9.45	63	19	31	6	10	5.6	1	7.4	92.6	0.2	5.0	9.8	0.55	0.16	1.50	11,500	120	250	9,700	1.8

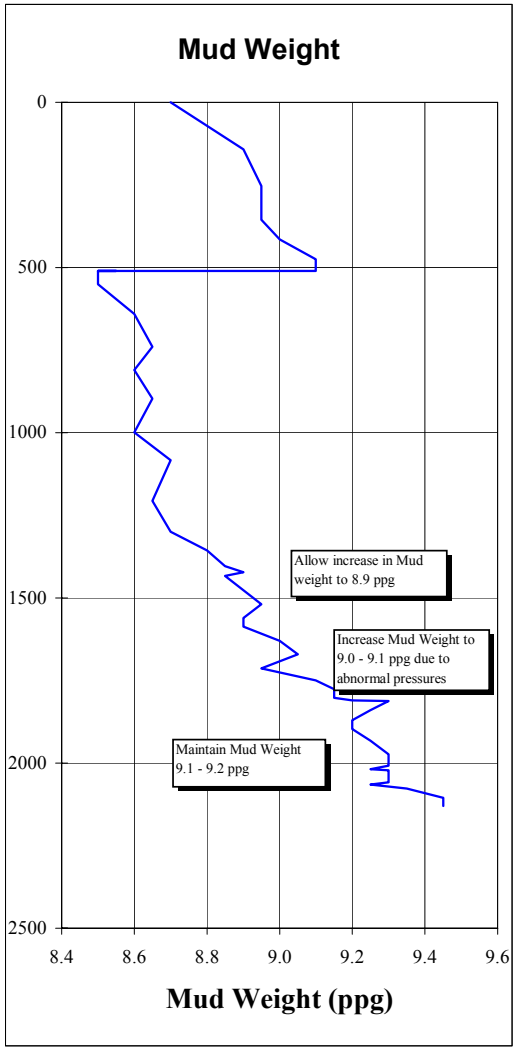
6. Mud Volume Analysis

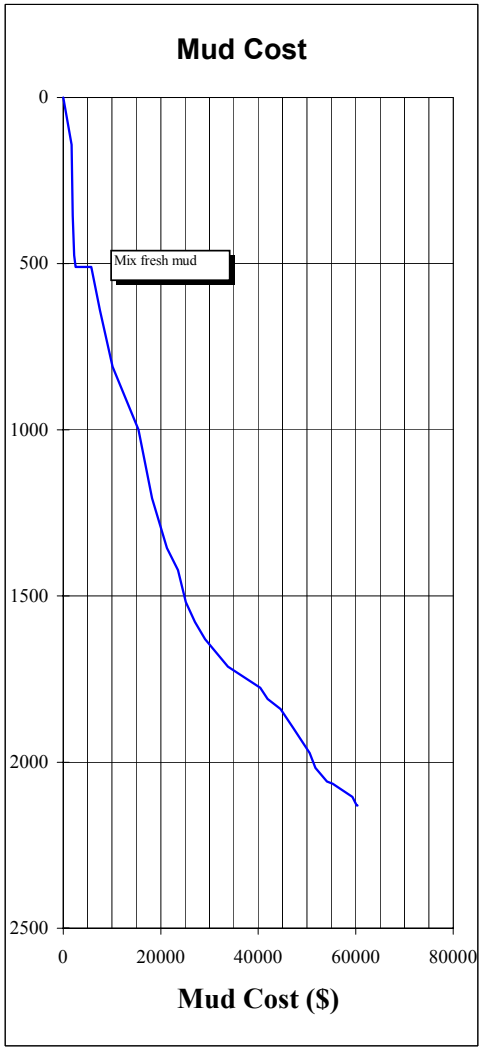
		Interval			Fluid Built & Received					Fluid Disposed						Summary			
Date	Hole Size	From	To	Mud Type	Fresh Premix	Sump Premix	Direct Recirc	Water	Other	De-sander	De-silter	Surface Losses	Down-hole	Dumped	Other	Initial	Received	Disposed	Final
4-Jan-07	12-1/4"	0 m	151 m	Spud Mud				80	450	6	6		23	40		0	530	75	455
5-Jan-07	12-1/4"	151 m	363 m	Spud Mud					450	77	65		18	30		455	450	190	715
6-Jan-07	12-1/4"	363 m	487 m	Spud Mud				10	150	36	45		19	30		715	160	131	744
7-Jan-07	12-1/4"	487 m	510 m	Spud Mud						11	21		18	15		744	0	65	678
8-Jan-07	12-1/4"	510 m	510 m	Spud Mud						11	18		10	35		678	0	73	605
9-Jan-07	12-1/4"	510 m	510 m	Spud Mud				50	480	0	0		0	481		605	530	481	654
Sub Total					**0**	**0**	**0**	**140**	**1530**	**142**	**155**	**0**	**89**	**631**	**0**		**1670**	**1016**	
10-Jan-07	8-1/2"	510 m	510 m	KCl Polymer						0	0	6	0			654	0	6	648
11-Jan-07	8-1/2"	510 m	510 m	KCl Polymer						0	0	10	0	16		648	0	26	621
12-Jan-07	8-1/2"	510 m	651 m	KCl Polymer		30			150	5	4	100	11	30		621	180	149	652
13-Jan-07	8-1/2"	651 m	821 m	KCl Polymer		140		20		27	8		6	10		652	160	51	761
14-Jan-07	8-1/2"	821 m	1003 m	KCl Polymer		80		10	100	13	24	80	4	20		761	190	140	811
15-Jan-07	8-1/2"	1003 m	1221 m	KCl Polymer		180		10		27	28	80	34	20		811	190	190	811
16-Jan-07	8-1/2"	1221 m	1357 m	KCl Polymer		40		20	100	29	34	40	20	20		811	160	143	828
17-Jan-07	8-1/2"	1357 m	1421 m	KCl Polymer		120			50	3	4	30	22	20		828	170	79	919
18-Jan-07	8-1/2"	1421 m	1524 m	KCl Polymer		80				2	2	60	18	15		919	80	97	903
19-Jan-07	8-1/2"	1524 m	1578 m	KCl Polymer		120				2	2	90	19	20		903	120	134	889
20-Jan-07	8-1/2"	1578 m	1636 m	KCl Polymer		100		20		3	3	40	16	10		889	120	72	937
21-Jan-07	8-1/2"	1636 m	1722 m	KCl Polymer		120		60		2	2	25	9	10		937	180	49	1069
22-Jan-07	8-1/2"	1722 m	1778 m	KCl Polymer				10		3	4	60	3	20		1069	10	89	990
23-Jan-07	8-1/2"	1778 m	1810 m	KCl Polymer		40				4	4	30	2	10		990	40	50	980
24-Jan-07	8-1/2"	1810 m	1845 m	KCl Polymer		40				2	3	35	3	20		980	40	63	957
25-Jan-07	8-1/2"	1845 m	1902 m	KCl Polymer		80		15		4	3	35	3	15		957	95	61	991
26-Jan-07	8-1/2"	1902 m	1977 m	KCl Polymer		100		20		11	10	45	3	15		991	120	84	1027
27-Jan-07	8-1/2"	1977 m	2018 m	KCl Polymer	45					18	16	28	2	10		1027	45	74	998
28-Jan-07	8-1/2"	2018 m	2062 m	KCl Polymer	120					24	20	35	3	20		998	120	102	1016
29-Jan-07	8-1/2"	2062 m	2065 m	KCl Polymer				25		8	7	10	3	5		1016	25	32	1008
30-Jan-07	8-1/2"	2065 m	2110 m	KCl Polymer	50	30		10		13	6	18	2	10		1008	90	49	1049
31-Jan-07	8-1/2"	2110 m	2130 m	KCl Polymer						2	0	35	3	10		1049	0	50	998
1-Feb-07	8-1/2"	2130 m	2130 m	KCl Polymer						0	0		0	5		998	0	5	993
2-Feb-07	8-1/2"	2130 m	2130 m	KCl Polymer					71	0	0		371			993	71	371	693
3-Feb-07	8-1/2"	2130 m	2130 m	KCl Polymer						0	0		0	693		693	0	693	0
Sub Total					**215**	**1300**	**0**	**220**	**471**	**201**	**185**	**892**	**558**	**1024**	**0**		**2206**	**2860**	
Well Total					**215**	**1300**	**0**	**360**	**2001**	**342**	**340**	**892**	**646**	**1655**	**0**		**3876**	**3876**	

Dilution Factors			
	Interval Length	Dilution Vol	Dilution Factor
12¼" Surface Hole	510 m	1220 bbls	2.4 bbls/m
8½" Hole	1620 m	1681 bbls	1.0 bbls/m

7. Graphs


Depth vs Days
Depth (m)
0
500
1000
1500
2000
2500
0
10
20
30
40
Days
Surface Casing
Total Depth
Log, P&A

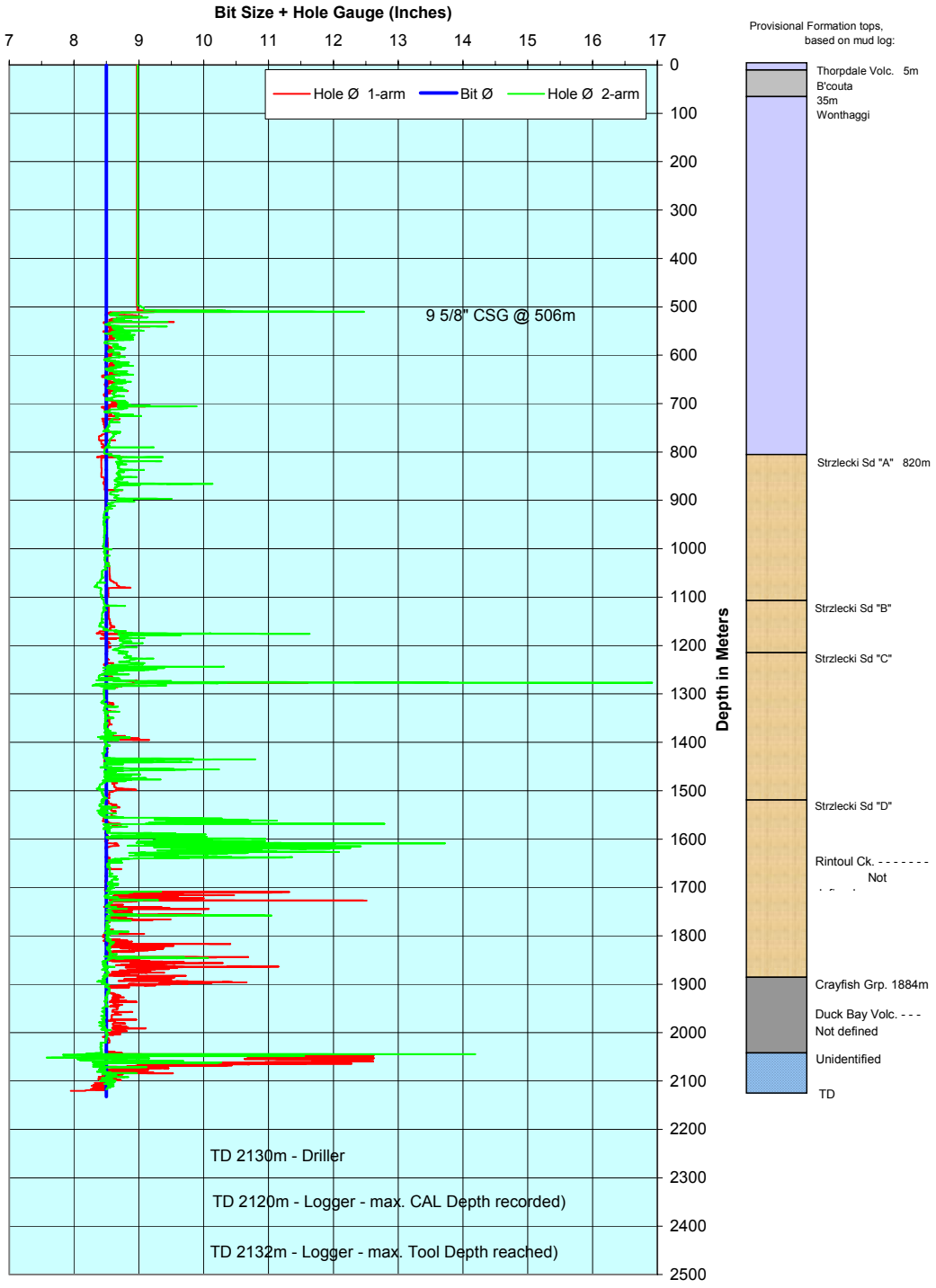

Mud Weight
0
500
1000
1500
2000
2500
8.4
8.6
8.8
9.0
9.2
9.4
9.6
Mud Weight (ppg)
Allow increase in Mud weight to 8.9 ppg
Increase Mud Weight to 9.0 - 9.1 ppg due to abnormal pressures
Maintain Mud Weight 9.1 - 9.2 ppg


Mud Cost
0
500
1000
1500
2000
2500
0
20000
40000
60000
80000
Mud Cost ($)
Mix fresh mud

8. Bit & Hydraulics Record

Bit #	Size	Make	Type	Jets						Depth Out	Depth Drilled	Hours	Cumm Hours	WOB	RPM	GPM	Mud Wt	Jet Vel	HHPb/sq"	Impact Force
NB1	12 1/4"	SEC/DBS	XS15	20	20	20				510	510	55	55	15	110	630	9.1	219	144	651
NB1	12 1/4"	SEC/DBS	XS15	20	20	20				510		55	55	15	110	630	9.1	219	144	651
RR2	8 1/2"	SEC/DBS	FM3553Z	11	11	11	11	11		1421	911	115	170	15	120	450	8.9	310	202	644
NB3	8 1/2"	SEC/DBS	SE3653Z	11	11	11	11	11	11	1587	166	36	206	12	120	450	8.9	259	140	537
RR4	8 1/2"	SEC/DBS	XS16D	13	13	13				1810	223	74	280	30	70	450	9.2	370	298	794
NB5	8 1/2"	SEC/DBS	XS12DS	13	14	14				2018	208	74	354	30	60	450	9.3	335	246	726
RR6	8 1/2"	SEC/DBS	SE3653Z	11	11	11	11	11	11	2065	47	21	375	18	70	300	9.3	172	43	249
NB7	8 1/2"	SEC/DBS	XS16D	13	13	13				2130	65	29	404	30	60	450	9.4	370	304	812

9. Calliper


Bit Size + Hole Gauge (Inches)
7
8
9
10
11
12
13
14
15
16
17
Hole Ø 1-arm
Bit Ø
Hole Ø 2-arm
9 5/8" CSG @ 506m
TD 2130m - Driller
TD 2120m - Logger - max. CAL Depth recorded)
TD 2132m - Logger - max. Tool Depth reached)
Depth in Meters
0
100
200
300
400
500
600
700
800
900
1000
1100
1200
1300
1400
1500
1600
1700
1800
1900
2000
2100
2200
2300
2400
2500
Provisional Formation tops,
based on mud log:
Thorpdale Volc. 5m
B'couta
35m
Wonthaggi
Strzlecki Sd "A" 820m
Strzlecki Sd "B"
Strzlecki Sd "C"
Strzlecki Sd "D"
Rintoul Ck. - - - - - - -
Not
Crayfish Grp. 1884m
Duck Bay Volc. - - -
Not defined
Unidentified
TD

10. DAILY DRILLING FLUIDS REPORTS

DRILLING FLUID REPORT

Report #	1	Date :	4-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	15 to 151		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING		MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	20	20	20	16 CONDUCTOR	49 ft	HOLE	PITS	PUMP SIZE		CIRCULATION	
12.25	SEC-XS15				SET @	15 M	59	227	5.5 X 7	Inches	PRESSURE	650 psi
DRILL PIPE	TYPE	Length			INTERMEDIATE	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	0	Mtrs		SET @	M	286		GD PZ-7	97 %	UP	4 min
DRILL PIPE	TYPE	Length			PRODUCTION/	ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	0.0	Mtrs		LINER Set @	M	169		0.0514	230	TIME	40 min
D/Collars	D/Collars	Length			MUD TYPE		BBL/MIN	GAL / MIN	ANN VEL.	DP	91	
6.25	8.00	131.0	21.7	Mtrs	RECYCLED FLUID fm M-1 RE		11.47	482	(ft/min)	DCs	106 137	

		MUD PROPERTIES	
SAMPLE FROM		Suction	Suction
TIME SAMPLE TAKEN		17:00	23:10
DEPTH (ft) - (m)	Metres	44	142
FLOWLINE TEMPERATURE	^{0}C / ^{0}F	28 83	35 95
WEIGHT	ppg / SG	8.70 1.044	8.90 1.067
FUNNEL VISCOSITY (sec/qt) API @	35 ^{0}C	35	46
PLASTIC VISCOSITY cP @	45 ^{0}C	4	8
YIELD POINT (lb/100ft^2)		3	13
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		0 1	8 9
RHEOLOGY	θ 600 / θ 300	11 7	29 21
RHEOLOGY	θ 200 / θ 100	5 3	18 14
RHEOLOGY	θ 6 / θ 3	1 0	10 8
FILTRATE API (cc's/30 min)		18.5	17.0
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)		1 --	1 --
SOLIDS CONTENT (% by Volume)		2.3	3.8
LIQUID CONTENT (% by Volume) OIL/WATER		0 97.7	0 96.2
SAND CONTENT (% by Vol.)		0.15	0.20
METHYLENE BLUE CAPACITY (ppb equiv.)		6.0	16.0
pH		8.0	8.3
ALKALINITY MUD (Pm)		0.00	0.32
ALKALINITY FILTRATE (Pf / Mf)		0.00 0.28	0.05 0.42
CHLORIDE (mg/L)		4,000	3,400
TOTAL HARDNESS AS CALCIUM (mg/L)		280	420
SULPHITE (mg/L)		0	0
K+ (mg/L)			
KCl (% by Wt.)		0.0	0.0
PHPA (ppb)			

MUD PROPERTY SPECIFICATIONS					
Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
KCl	NIL	PHPA	NIL	Sulphites	NIL

OBSERVATIONS

Used fluid reclaimed from MEGASCOLIDES-1 sump+treated with Caustic, Biocide and pre-hydrated Bentonite.
All solids control equipment running from spud.

OPERATIONS SUMMARY

Spud well @ 14:00 hrs, using a 12½" SEC XS15 milled tooth bit, 3x20, S/N 10826043. P/U BHA, consisting of 2x8" DC, str.stab and 6¼" DC. Jar between DC #14+15. Bit at 153m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	6	INITIAL VOLUME	0
Premix (recirc from sump)		Desilter	6		
Drill Water	80	Downhole	23	+ FLUID RECEIVED	530
Direct Recirc Sump		Dumped	40	- FLUID LOST	75
Other (Recycled from M-1 RE)	450	Surface		FLUID in STORAGE	169
TOTAL RECEIVED	530	TOTAL LOST	75	FINAL VOLUME	455

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	10	Shaker #1	3x84	10
Degasser	Po'Boy	0	Desilter	10	10	Shaker #2	3x84	10

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.8	10.2	0.40
Desilter	8.8	11.2	0.45

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	16		1	15	$ 188.33
AUS-GEL	$ 12.19	366		114	252	$ 1,389.66
Caustic Soda	$ 50.73	21		2	19	$ 101.46

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	3.8	35.9
Bentonite equiv.	1.5	13.9
Drilled Solids	2.3	20.6
Salt	0.2	2.0
n @ 23:10 Hrs	0.47	
K @ 23:10 Hrs	5.89	

Bit Hydraulics & Pressure Data

Jet Velocity	168 ft/sec
Impact force	372 lbs
HHP	63
HHP/in^2	0.5
Bit Press. Loss	225 psi
CSG Seat Frac Press.	
Equiv. Mud Wt.	
ECD	8.98 ppg
Max Pressure @ Shoe :	

DAILY COST	CUMULATIVE COST
$1,679.45	$1,679.45

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	2	Date :	5-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	151 to 363		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	20	20	20	16 CONDUCTOR	49	ft	HOLE	PITS	PUMP SIZE		CIRCULATION	
12.25	SEC-XS15				SET @	15	M	154	217	5.5 x 7	Inches	PRESSURE	1200 psi
DRILL PIPE	TYPE	Length			INTERMEDIATE		ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	141	Mtrs		SET @		M	371		GD PZ-7	97 %	UP	12 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1	Mtrs		LINER Set @		M	344		0.0514	210	TIME	68 min
D/Collars	D/Collars	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	83
6.25	8.00	134.5	31.5	Mtrs	RECYCLED FLUID fm M-1 RE					10.47	440	(ft/min) DCs	97 125

MUD PROPERTIES				
SAMPLE FROM			Suction	Suction
TIME SAMPLE TAKEN			09:40	22:55
DEPTH (ft) - (m)		Metres	253	355
FLOWLINE TEMPERATURE	^{0}C	^{0}F	46 116	51 125
WEIGHT	ppg	SG	8.95 1.074	8.95 1.073
FUNNEL VISCOSITY (sec/qt) API @	51 ^{0}C		40	40
PLASTIC VISCOSITY cP @	45 ^{0}C		8	7
YIELD POINT (lb/100ft^2)			12	12
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			13 14	16 19
RHEOLOGY	θ 600	θ 300	28 20	26 19
RHEOLOGY	θ 200	θ 100	17 14	16 14
RHEOLOGY	θ 6	θ 3	10 8	11 10
FILTRATE API (cc's/30 min)			19.0	21.5
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--
CAKE THICKNESS API : HPHT (32nd in)			2 --	2 --
SOLIDS CONTENT (% by Volume)			4.1	4.1
LIQUID CONTENT (% by Volume) OIL/WATER			0 95.9	0 95.9
SAND CONTENT (% by Vol.)			0.25	0.10
METHYLENE BLUE CAPACITY (ppb equiv.)			15.0	16.0
pH			8.0	8.0
ALKALINITY MUD (Pm)			0.28	0.28
ALKALINITY FILTRATE (Pf / Mf)			0.00 0.33	0.00 0.40
CHLORIDE (mg/L)			3,500	4,200
TOTAL HARDNESS AS CALCIUM (mg/L)			320	400
SULPHITE (mg/L)			0	0
K+ (mg/L)				
KCl (% by Wt.)			0.0	0.0
PHPA (ppb)				

MUD PROPERTY SPECIFICATIONS					
Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
KCl	NIL	PHPA	NIL	Sulphites	NIL

OBSERVATIONS

Reclaim a further 450bbls of fluid from the sump @ M-1 site.
Fluid treatment with Biocide and Caustic Soda only.
All solids control equipment on line.

OPERATIONS SUMMARY

Drill to 178m, DS @ 166m - 1¼°; drill to 216m, DS @ 204m - 1°
Drill to 328m, DS @ 316m - ½°.
Drill to 363m at 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	77	INITIAL VOLUME	455
Premix (recirc from sump)		Desilter	65		
Drill Water		Downhole	18	+ FLUID RECEIVED	450
Direct Recirc Sump		Dumped	30	- FLUID LOST	190
Other (Recycled from M-1 RE)	450	Surface		FLUID in STORAGE	344
TOTAL RECEIVED	450	TOTAL LOST	190	FINAL VOLUME	715

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	24	Shaker #1	3x84	24
Degasser	Po'Boy	0	Desilter	10	24	Shaker #2	3x84	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.9	9.9	2.26
Desilter	8.9	10.6	1.89

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	15		1	14	$ 188.33
Caustic Soda	$ 50.73	19		1	18	$ 50.73

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	4.1	38.7
Bentonite equiv.	1.5	13.5
Drilled Solids	2.6	23.7
Salt	0.2	2.4
n @ 22:55 Hrs	0.45	
K @ 22:55 Hrs	5.79	

Bit Hydraulics & Pressure Data

Jet Velocity	153 ft/sec
Impact force	312 lbs
HHP	48
HHP/in^2	0.4
Bit Press. Loss	188 psi
CSG Seat Frac Press.	
Equiv. Mud Wt.	
ECD	9.01 ppg
Max Pressure @ Shoe :	

DAILY COST	CUMULATIVE COST
$239.06	$1,918.51

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	3	Date :	6-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	363 to 487		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA				
BIT SIZE	TYPE	20	20	20	16 CONDUCTOR	49	ft	HOLE	PITS	PUMP SIZE			CIRCULATION	
12.25	SEC-XS15				SET @	15	M	211	235	5.5 x 7	Inches		PRESSURE	1200 psi
DRILL PIPE	TYPE	Length			INTERMEDIATE		ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF		BOTTOMS	
SIZE 4.5	16.6 #	265 Mtrs			SET @		M	446		GD PZ-7	97 %		UP	18 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN		TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	298		0.0514	210		TIME	71 min
D/Collars	D/Collars	Length			MUD TYPE			BBL/MIN		GAL / MIN			ANN VEL. DP	83
6.25	8.00	134.5	31.5	Mtrs	RECYCLED FLUID fm M-1 RE			10.47		440			(ft/min) DCs	97 125

MUD PROPERTIES			MUD PROPERTY SPECIFICATIONS					
SAMPLE FROM	Suction	Suction	Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
TIME SAMPLE TAKEN	10:25	21:45	Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
DEPTH (ft) - (m) Metres	415	475	KCl	NIL	PHPA	NIL	Sulphites	NIL
FLOWLINE TEMPERATURE ^{0}C ^{0}F	52 127	54 129						
WEIGHT ppg SG	9.00 1.080	9.10 1.091						
FUNNEL VISCOSITY (sec/qt) API @ 54 ^{0}C	40	37						
PLASTIC VISCOSITY cP @ 50 ^{0}C	5	5						
YIELD POINT (lb/100ft^2)	11	13						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	16 20	20 22						
RHEOLOGY θ 600 θ 300	21 16	23 18						
RHEOLOGY θ 200 θ 100	14 12	16 15						
RHEOLOGY θ 6 θ 3	9 8	13 12						
FILTRATE API (cc's/30 min)	22.5	27.5						
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--						
CAKE THICKNESS API : HPHT (32nd in)	2 --	3 --						
SOLIDS CONTENT (% by Volume)	4.4	5.1						
LIQUID CONTENT (% by Volume) OIL/WATER	0 95.6	0 94.9						
SAND CONTENT (% by Vol.)	0.15	0.10						
METHYLENE BLUE CAPACITY (ppb equiv.)	17.0	18.0						
pH	8.0	8.0						
ALKALINITY MUD (Pm)	0.23	0.15						
ALKALINITY FILTRATE (Pf / Mf)	0.00 0.45	0.00 0.52						
CHLORIDE (mg/L)	4,100	4,400						
TOTAL HARDNESS AS CALCIUM (mg/L)	560	680						
SULPHITE (mg/L)	0	0						
K+ (mg/L)								
KCl (% by Wt.)	0.0	0.0						
PHPA (ppb)								

OBSERVATIONS

Reclaim a further 150bbls of fluid from the sump @ M-1 site.
Fluid treatment with Biocide.
All solids control equipment on line.
Prepare 30bbls XTRA-SWEEP to be used when well @ CSG depth.

OPERATIONS SUMMARY

Drill to 431m, DS @ 419 - ¾°
Drill to 487m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	36	INITIAL VOLUME	715
Premix (recirc from sump)		Desilter	45		
Drill Water	10	Downhole	19	+ FLUID RECEIVED	160
Direct Recirc Sump		Dumped	30	- FLUID LOST	131
Other (Recycled from M-1 RE)	150	Surface		FLUID in STORAGE	298
TOTAL RECEIVED	160	TOTAL LOST	131	FINAL VOLUME	744

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	24	Shaker #1	3x84	24
Degasser	Po'Boy	0	Desilter	10	24	Shaker #2	3x84	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.0	13.3	1.06
Desilter	9.0	11.4	1.32

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	14		1	13	$ 188.33
XTRA - Sweep	$ 112.40	5		1	4	$ 112.40

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	5.1	48.7
Bentonite equiv.	1.6	14.6
Drilled Solids	3.5	32.1
Salt	0.3	2.5
n @ 21:45 Hrs	0.35	
K @ 21:45 Hrs	10.15	

Bit Hydraulics & Pressure Data

Jet Velocity	153 ft/sec
Impact force	317 lbs
HHP	49
HHP/in^2	0.4
Bit Press. Loss	191 psi
CSG Seat Frac Press.	
Equiv. Mud Wt.	
ECD	9.17 ppg
Max Pressure @ Shoe :	

DAILY COST	CUMULATIVE COST
$300.73	$2,219.24

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

Report #	4	Date :	7-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	487 to 510		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING		MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	20	20	20	16 CONDUCTOR SET @ 49 ft		HOLE	PITS	PUMP SIZE		CIRCULATION PRESSURE	600 psi
12.25	SEC-XS15				15 M		226	213	5.5 X 7 Inches			
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 319 Mtrs			INTERMEDIATE SET @ ft / M		TOTAL CIRCULATING VOL. 439		PUMP MODEL GD PZ-7	ASSUMED EFF 97 %	BOTTOMS UP	19 min
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs			PRODUCTION/ LINER Set @ ft / M		IN STORAGE 239		BBL/STK@ 100% 0.0514	STK / MIN 220	TOTAL CIRC. TIME	62 min
D/Collars 6.25	D/Collars 8.00	Length 134.5	0	Mtrs	MUD TYPE: RECYCLED FLUID fm M-1 RE				BBL/MIN 10.97	GAL / MIN 461	ANN VEL. (ft/min) DP 87 DCs 102 131	

MUD PROPERTIES	Suction	Suction
SAMPLE FROM		
TIME SAMPLE TAKEN		22:00
DEPTH (ft) - (m) Metres		510
FLOWLINE TEMPERATURE ^{0}C ^{0}F		-- --
WEIGHT ppg SG		9.10 1.091
FUNNEL VISCOSITY (sec/qt) API @ -- ^{0}C		36
PLASTIC VISCOSITY cP @ 50 ^{0}C		4
YIELD POINT (lb/100ft^2)		10
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		10 11
RHEOLOGY θ 600 θ 300		18 14
RHEOLOGY θ 200 θ 100		12 10
RHEOLOGY θ 6 θ 3		9 8
FILTRATE API (cc's/30 min)		25.8
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--
CAKE THICKNESS API : HPHT (32nd in)	--	3 --
SOLIDS CONTENT (% by Volume)		5.0
LIQUID CONTENT (% by Volume) OIL/WATER		0 95.0
SAND CONTENT (% by Vol.)		0.10
METHYLENE BLUE CAPACITY (ppb equiv.)		18.0
pH		8.0
ALKALINITY MUD (Pm)		0.15
ALKALINITY FILTRATE (Pf / Mf)		0.00 0.55
CHLORIDE (mg/L)		4,700
TOTAL HARDNESS AS CALCIUM (mg/L)		660
SULPHITE (mg/L)		0
K+ (mg/L)		
KCl (% by Wt.)		0.0
PHPA (ppb)		

MUD PROPERTY SPECIFICATIONS					
Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
KCl	NIL	PHPA	NIL	Sulphites	NIL

OBSERVATIONS

Prepare 25bbls Barite-based heavy pill, pump before POOH

OPERATIONS SUMMARY

Drill to 510m, pump 25bbls 0.4ppb XTRA-SWEEP + CO.
Hole clean. Mix and pump Barite-based heavy pill, POOH-laying down 8"DC
Rig for running 9 5/8"CSG, Problems w/- stabbing board+Tong-jaws.
Decision to make wiper-trip, P/U BHA w/out 8"DC,
RIH to 483m @ 24:00 hrs

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	11	INITIAL VOLUME	744
Premix (recirc from sump)		Desilter	21		
Drill Water		Downhole	18	+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	15	- FLUID LOST	65
Other (Recycled from M-1 RE)		Surface		FLUID in STORAGE	239
TOTAL RECEIVED		TOTAL LOST	65	FINAL VOLUME	678

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	10	Shaker #1	3x84	12
Degasser	Po'Boy	0	Desilter	10	10	Shaker #2	3x84	12

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.0	12.9	0.79
Desilter	9.1	11.1	1.45

Product	Price	Start	Received	Used	Close	Cost
Baryte	$ 9.95	524		30	494	$ 298.50

Solids Analysis

	% Vol	PPB
High Grav solids	0.2	2.43
Total LGS	4.8	45.6
Bentonite equiv.	1.6	15.0
Drilled Solids	3.2	28.8
Salt	0.3	2.7
n @ 22:00 Hrs	0.36	
K @ 22:00 Hrs	7.47	

Bit Hydraulics & Pressure Data

Jet Velocity	160 ft/sec
Impact force	348 lbs
HHP	56
HHP/in^2	0.5
Bit Press. Loss	210 psi
CSG Seat Frac Press.	
Equiv. Mud Wt.	
ECD	9.16 ppg
Max Pressure @ Shoe :	

DAILY COST	CUMULATIVE COST
$298.50	$2,517.74

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	5	Date :	8-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	510 to 510		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 / GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY			JET SIZE			CASING		MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE 12.25	TYPE					16 CONDUCTOR SET @	49 ft / 15 M	HOLE 227	PITS 231	PUMP SIZE 5.5 x 7 Inches		CIRCULATION PRESSURE psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length			Mtrs	INTERMEDIATE SET @	ft / M	TOTAL CIRCULATING VOL. 458		PUMP MODEL GD PZ-7	ASSUMED EFF 97 %	BOTTOMS UP min
DRILL PIPE SIZE 4.50	TYPE HW	Length			Mtrs	PRODUCTION/ LINER Set @	ft / M	IN STORAGE 147		BBL/STK@ 100% 0.0514	STK / MIN	TOTAL CIRC. TIME min
D/Collars 6.25	CSG run 9.63	Length		488.0	Mtrs	MUD TYPE RECYCLED FLUID fm M-1 RE				BBL/MIN	GAL / MIN	ANN VEL. (ft/min) DP DCs

MUD PROPERTIES	Below Shaker	Below Shaker
SAMPLE FROM		
TIME SAMPLE TAKEN		12:00
DEPTH (ft) - (m) Metres		510
FLOWLINE TEMPERATURE ^{0}C ^{0}F		39 102
WEIGHT ppg SG		9.10 1.091
FUNNEL VISCOSITY (sec/qt) API @ 39 ^{0}C		36
PLASTIC VISCOSITY cP @ 50 ^{0}C		4
YIELD POINT (lb/100ft^2)		9
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		11 16
RHEOLOGY θ 600 θ 300		17 13
RHEOLOGY θ 200 θ 100		11 9
RHEOLOGY θ 6 θ 3		8 7
FILTRATE API (cc's/30 min)		23.5
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--
CAKE THICKNESS API : HPHT (32nd in)	--	3 --
SOLIDS CONTENT (% by Volume)	0.2	4.8
LIQUID CONTENT (% by Volume) OIL/WATER		0 95.2
SAND CONTENT (% by Vol.)		0
METHYLENE BLUE CAPACITY (ppb equiv.)		16.0
pH		8.0
ALKALINITY MUD (Pm)		0.10
ALKALINITY FILTRATE (Pf / Mf)		0 0.52
CHLORIDE (mg/L)		4,600
TOTAL HARDNESS AS CALCIUM (mg/L)		660
SULPHITE (mg/L)		0
K+ (mg/L)		
KCl (% by Wt.)		0.0
PHPA (ppb)		

MUD PROPERTY SPECIFICATIONS					
Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
KCl	NIL	PHPA	NIL	Sulphites	NIL

OBSERVATIONS

Prepare 30bbls Barite-based heavy pill, pump before POOH

OPERATIONS SUMMARY

Pick up kelly, ream and wash to bottom and circulate there, while waiting on equipment. Mix and pump Barite-based heavy pill, POOH, bit graded as: 2-2-WT-A-E-I-SS-TD.
Rig for running 9 5/8"CSG. Run 43 jts to 500.5m @ 24:00 hrs

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	11	INITIAL VOLUME	678
Premix (recirc from sump)		Desilter	18		
Drill Water		Downhole	10	+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	35	- FLUID LOST	73
Other (Recycled from M-1 RE)		Surface		FLUID in STORAGE	147
TOTAL RECEIVED		TOTAL LOST	73	FINAL VOLUME	605

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	11	Shaker #1	3x84	18
Degasser	Po'Boy	0	Desilter	10	11	Shaker #2	3x84	18

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.0	12.5	0.68
Desilter	9.0	11.0	1.12

Product	Price	Start	Received	Used	Close	Cost
Baryte	$ 9.95	494		38	456	$ 378.10

Solids Analysis	% Vol	PPB
High Grav solids	0.4	5.16
Total LGS	4.5	42.5
Bentonite equiv.	1.4	13.1
Drilled Solids	3.0	27.7
Salt	0.3	2.7
n @ 12:00 Hrs	0.39	
K @ 12:00 Hrs	5.95	

Bit Hydraulics & Pressure Data
Jet Velocity
Impact force
HHP
HHP/in^2
Bit Press. Loss
CSG Seat Frac Press.
Equiv. Mud Wt.
ECD
Max Pressure @ Shoe :

DAILY COST	CUMULATIVE COST
$378.10	$2,895.84

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	6	Date :	9-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	510 to 510		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE	CASING	MUD VOLUME (BBL)	CIRCULATION DATA
BIT SIZE 8.50	TYPE		16 CONDUCTOR SET @ 49 ft / 15 M	HOLE 124 / PITS 0	PUMP SIZE 5.5 x 7 Inches; CIRCULATION PRESSURE psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length Mtrs	9 5/8 INTERMEDIATE SET @ 1662 ft / 507 M	TOTAL CIRCULATING VOL. 124	PUMP MODEL GD PZ-7; ASSUMED EFF 97 %; BOTTOMS UP min
DRILL PIPE SIZE 4.50	TYPE HW	Length Mtrs	PRODUCTION/ LINER Set @ ft / M	IN STORAGE 530	BBL/STK@ 100% 0.0514; STK / MIN; TOTAL CIRC. TIME min
D/Collars 6.25	Tools 6.25	Length Mtrs	MUD TYPE: RECYCLED FLUID fm M-1 RE	BBL/MIN; GAL / MIN	ANN VEL. (ft/min) DP DCs

MUD PROPERTIES			MUD PROPERTY SPECIFICATIONS					
SAMPLE FROM		Suction	Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
TIME SAMPLE TAKEN		21:00	Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
DEPTH (ft) - (m)	Metres	510	KCl	NIL	PHPA	NIL	Sulphites	NIL
FLOWLINE TEMPERATURE	^{0}C / ^{0}F	-- --						
WEIGHT	ppg / SG	8.50 1.019						
FUNNEL VISCOSITY (sec/qt) API @	-- ^{0}C	30						
PLASTIC VISCOSITY cP @	20 ^{0}C	5						
YIELD POINT (lb/100ft^2)		4						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		0 0						
RHEOLOGY	θ 600 / θ 300	14 9						
RHEOLOGY	θ 200 / θ 100	6 4						
RHEOLOGY	θ 6 / θ 3	1 1						
FILTRATE API (cc's/30 min)		12.5						
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--						
CAKE THICKNESS API : HPHT (32nd in)	--	1 --						
SOLIDS CONTENT (% by Volume)	0.2	0.9						
LIQUID CONTENT (% by Volume) OIL/WATER		0 99.1						
SAND CONTENT (% by Vol.)		0						
METHYLENE BLUE CAPACITY (ppb equiv.)		1.5						
pH		9.0						
ALKALINITY MUD (Pm)		0.15						
ALKALINITY FILTRATE (Pf / Mf)		0.15 1.90						
CHLORIDE (mg/L)		6,400						
TOTAL HARDNESS AS CALCIUM (mg/L)		320						
SULPHITE (mg/L)		0						
K+ (mg/L)		3,700						
KCl (% by Wt.)		0.7						
PHPA (ppb)								

OBSERVATIONS

At completion of cement job, dump all fluid remaining from SFC hole+ flush tanks clean. Re-fill with 480bbls fluid reclaimed from M-1 sump. Suspend recycling, when density of reclaimed fluid increases past 8.5ppg. Top up with 50bbls water from Day Tank. Prepare for chemical addition

No mud chemicals used last 24hrs.

Properties reported are from untreated, reclaimed fluid.
Fluid in well (9 5/8" casing) is water.

OPERATIONS SUMMARY

P/U landing joint, wash to bottom. Circulate hole clean, rig up HALLI-BURTON, pump 15bbls water spacer, pressure test lines, pump 5 bbls water; cement CSG w/- 103bbls 12.5ppg Lead and 30bbla 15.8ppg tail-in cement. Drop plug and displace CMT w/- 124bbls water. Bump plug and pressure test; OK. No CMT to SFC. Prepare+carry out top-up job. Rig down HALLIBURTON, WOC. Cut conductor, install Bradenhead. Nipple up BOP, prepare for function and pressure tests.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	605
Premix (recirc from sump)		Desilter			
Drill Water	50	Downhole	0	+ FLUID RECEIVED	530
Direct Recirc Sump		Dumped	481	- FLUID LOST	481
Other (Recycled from M-1 RE)	480	Surface		FLUID in STORAGE	530
TOTAL RECEIVED	530	TOTAL LOST	481	FINAL VOLUME	654

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1	3x84	0
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2	3x84	0

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost

Solids Analysis

	% Vol	PPB
High Grav solids	0.0	0.57
Total LGS	0.9	8.3
Bentonite equiv.	0.1	0.7
Drilled Solids	0.8	7.3
Salt	0.4	3.7
n @ 21:00 Hrs	0.64	
K @ 21:00 Hrs	0.87	

Bit Hydraulics & Pressure Data

Jet Velocity
Impact force
HHP
HHP/in^2
Bit Press. Loss
CSG Seat Frac Press.
Equiv. Mud Wt.
ECD
Max Pressure @ Shoe :

DAILY COST	CUMULATIVE COST
	$2,895.84

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

Report #	7	Date :	10-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	510 to 510		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Steve YOUNG
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z		11	11	SET @	15	M	123	0	5.5 x 7	Inches	PRESSURE	psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length		Mtrs	9 5/8 INTERMEDIATE SET @	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS UP	min
						507	M	123		GD PZ-7	97 %		
DRILL PIPE SIZE 4.50	TYPE HW	Length		Mtrs	PRODUCTION/ LINER Set @		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC. TIME	min
							M	525		0.0514			
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. (ft/min) DP DCs	
6.25	6.25	45.0	21.8	Mtrs	RECYCLED FLUID fm M-1 RE								

MUD PROPERTIES	Suction	Suction
SAMPLE FROM		
TIME SAMPLE TAKEN		11:00
DEPTH (ft) - (m) Metres		510
FLOWLINE TEMPERATURE ^{0}C ^{0}F		-- --
WEIGHT ppg SG		8.55 1.025
FUNNEL VISCOSITY (sec/qt) API @ -- ^{0}C		52
PLASTIC VISCOSITY cP @ 50 ^{0}C		10
YIELD POINT (lb/100ft^2)		10
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		0 1
RHEOLOGY θ 600 θ 300		30 20
RHEOLOGY θ 200 θ 100		16 11
RHEOLOGY θ 6 θ 3		2 1
FILTRATE API (cc's/30 min)		10.6
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	--	1 --
SOLIDS CONTENT (% by Volume)		1.2
LIQUID CONTENT (% by Volume) OIL/WATER		0 98.8
SAND CONTENT (% by Vol.)		0
METHYLENE BLUE CAPACITY (ppb equiv.)		1.5
pH		10.0
ALKALINITY MUD (Pm)		0.33
ALKALINITY FILTRATE (Pf / Mf)		0.10 0.75
CHLORIDE (mg/L)		8,200
TOTAL HARDNESS AS CALCIUM (mg/L)		280
SULPHITE (mg/L)		0
K+ (mg/L)		6,600
KCl (% by Wt.)		1.3
PHPA (ppb)		0.17

MUD PROPERTY SPECIFICATIONS					
Mud Weight	MIN	API Filtrate	NC	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point		pH	9.0 - 10.0
KCl	NIL	PHPA	NIL	Sulphites	NIL

OBSERVATIONS

Treat reclaimed fluid in tanks with chemicals listed. Mud check reflects properties of treated fluid. Attempt to get maximum shearing of newly added PHPA.

OPERATIONS SUMMARY

Carry out BOP function+pressure tests.
Fine tune both rig+BHI PVT systems.
Start making up 8½"BHA, using a previously run SECURITY PDC bit.
Type FM 3553Z, 5x11 jets, SN 10551881; Bit @ 71.7m @ 24:00 hrs

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	654
Premix (recirc from sump)		Desilter			
Drill Water		Downhole	0	+ FLUID RECEIVED	
Direct Recirc Sump		Dumped		- FLUID LOST	6
Other (Recycled from M-1 RE)		Surface	6	FLUID in STORAGE	525
TOTAL RECEIVED		TOTAL LOST	6	FINAL VOLUME	648

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1	3x84	0
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2	3x84	0

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	13		1	12	$ 188.33
AMC PAC-R	$ 162.49	71		6	65	$ 974.94
AMC PHPA	$ 120.61	60		2	58	$ 241.22
Potassium Chloride (1	$ 20.12	420		18	402	$ 362.16
Xanthan Gum	$ 362.19	16		3	13	$ 1,086.57

Solids Analysis	% Vol	PPB
High Grav solids		
Total LGS	1.2	11.1
Bentonite equiv.	0.0	0.4
Drilled Solids	1.1	10.3
Salt	0.5	4.7
n @ 11:00 Hrs	0.58	
K @ 11:00 Hrs	2.67	

Bit Hydraulics & Pressure Data
Jet Velocity
Impact force
HHP
HHP/in^2
Bit Press. Loss
CSG Seat Frac Press.
Equiv. Mud Wt.
ECD
Max Pressure @ Shoe :

DAILY COST	CUMULATIVE COST
$2,853.22	$5,749.06

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	8	Date :	11-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	510 to 510		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z		11	11	SET @	15	M	106	0	5.5 x 7	Inches	PRESSURE	psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	277 Mtrs			SET @	507	M	106		GD PZ-7	97 %	UP	min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	515		0.0514		TIME	min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	
6.25	6.25	135.4	21.8	Mtrs	RECYCLED FLUID fm M-1 RE							(ft/min) DCs	

MUD PROPERTIES	Suction	Suction
SAMPLE FROM		
TIME SAMPLE TAKEN		22:00
DEPTH (ft) - (m) Metres		510
FLOWLINE TEMPERATURE ^{0}C / ^{0}F		-- / --
WEIGHT ppg / SG		8.50 / 1.019
FUNNEL VISCOSITY (sec/qt) API @ -- ^{0}C		51
PLASTIC VISCOSITY cP @ 50 ^{0}C		10
YIELD POINT (lb/100ft^2)		10
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		0 / 1
RHEOLOGY θ 600 / θ 300		30 / 20
RHEOLOGY θ 200 / θ 100		16 / 11
RHEOLOGY θ 6 / θ 3		2 / 1
FILTRATE API (cc's/30 min)		10.6
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--
CAKE THICKNESS API : HPHT (32nd in)	--	1 / --
SOLIDS CONTENT (% by Volume)		0.8
LIQUID CONTENT (% by Volume) OIL/WATER		0 / 99.2
SAND CONTENT (% by Vol.)		0
METHYLENE BLUE CAPACITY (ppb equiv.)		1.5
pH		10.0
ALKALINITY MUD (Pm)		0.35
ALKALINITY FILTRATE (Pf / Mf)		0.12 / 0.75
CHLORIDE (mg/L)		8,100
TOTAL HARDNESS AS CALCIUM (mg/L)		300
SULPHITE (mg/L)		0
K+ (mg/L)		6,800
KCl (% by Wt.)		1.3
PHPA (ppb)		0.17

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	NIL	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

No circulation or chemical addition last 24 hours, repeated movement of drilling fluid between tanks.
Dumped fluid is water, displaced out of the well, while RIH w/ drill string

OPERATIONS SUMMARY

Making up remaining BHA, total 218.3m. RIH on 4½"DP,
Tag TOC @ 490m. Slip+cut 140ft drilling line. Continue rig maintenance and calibration of both (Rig+BHI) PVT Systems.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	648
Premix (recirc from sump)		Desilter			
Drill Water		Downhole	0	+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	16	- FLUID LOST	26
Other (Recycled from M-1 RE)		Surface	10	FLUID in STORAGE	515
TOTAL RECEIVED		TOTAL LOST	26	FINAL VOLUME	621

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1	2x140;1x84	0
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2	2x140;1x84	0

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	0.8	7.6
Bentonite equiv.	0.1	0.8
Drilled Solids	0.7	6.5
Salt	0.5	4.7
n @ 22:00 Hrs	0.58	
K @ 22:00 Hrs	2.67	

Bit Hydraulics & Pressure Data

Jet Velocity
Impact force
HHP
HHP/in^2
Bit Press. Loss
CSG Seat Frac Press.
Equiv. Mud Wt.
ECD
Max Pressure @ Shoe :

DAILY COST	CUMULATIVE COST
	$5,749.06

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	9	Date :	12-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	510 to 651		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE		11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE			CIRCULATION
8.50	SEC-FM3553Z			11	11	SET @	15	M	136	512	5.5 X 7	Inches		PRESSURE 1000 psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 438 Mtrs				9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF		BOTTOMS
						SET @	507	M	648		GD PZ-7	97 %		UP 10 min
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs				PRODUCTION/ LINER Set @		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN		TOTAL CIRC.
								M	4		0.0514	214		TIME 61 min
D/Collars	Tools	Length				MUD TYPE					BBL/MIN	GAL / MIN		ANN VEL. DP 211
6.25	6.25	135.4	21.8	Mtrs		KCl/PHPA/POLYMER					10.67	448		(ft/min) DCs 331 331

MUD PROPERTIES					
SAMPLE FROM			Below Shaker		Below Shaker
TIME SAMPLE TAKEN			16:00		22:30
DEPTH (ft) - (m)		Metres	550		640
FLOWLINE TEMPERATURE	^{0}C	^{0}F	31	89	36 97
WEIGHT	ppg	SG	8.50	1.020	8.60 1.031
FUNNEL VISCOSITY (sec/qt) API @	36 ^{0}C		46		42
PLASTIC VISCOSITY cP @	50 ^{0}C		9		8
YIELD POINT (lb/100ft^2)			9		9
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			1	1	1 1
RHEOLOGY	θ 600	θ 300	27	18	25 17
RHEOLOGY	θ 200	θ 100	14	10	13 9
RHEOLOGY	θ 6	θ 3	2	1	2 1
FILTRATE API (cc's/30 min)			10.2		8.8
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--		--
CAKE THICKNESS API : HPHT (32nd in)			1	--	1 --
SOLIDS CONTENT (% by Volume)			0.8		1.5
LIQUID CONTENT (% by Volume) OIL/WATER			0	99.2	0 98.5
SAND CONTENT (% by Vol.)			0.40		0.50
METHYLENE BLUE CAPACITY (ppb equiv.)			3.0		3.5
pH			10.5		10.2
ALKALINITY MUD (Pm)			0.50		0.46
ALKALINITY FILTRATE (Pf / Mf)			0	1.05	0.12 1.25
CHLORIDE (mg/L)			8,600		8,900
TOTAL HARDNESS AS CALCIUM (mg/L)			240		300
SULPHITE (mg/L)			200		180
K+ (mg/L)			6,300		7,400
KCl (% by Wt.)			1.2		1.4
PHPA (ppb)			0.32		0.61

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	NIL	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Reclaim a further 150bbls of fluid from M-1 sump, density slowly increasing at that source. Last load check: 8.8ppg.
Treatment with KCl+PHPA, also phase in Sodium Sulphite.
Occasional run-off over shaker after PHPA additions.
Aiming to raise PHPA concentration further, to compensate for lower KCl concentration.
With resumption of drilling de-sander+de-silter on line and working well.

OPERATIONS SUMMARY

Finalise PVT Calibrations, Drill out shoe track w/- water and make new hole to 513m. Displace to KCL/PHPA/POLYMER fluid;
Conduct formation integrity test w/- 8.55ppg fluid in hole. Leak-off at 1100psi, CSG seat fracture rating equ. MW: 21.3 ppg (To be confirmed).
Resume drilling 8½"hole. Attempt DS at drilled depths of 604 + 642m, both return misruns. Drill to 651m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	5	INITIAL VOLUME	621
Premix (recirc from sump)	30	Desilter	4		
Drill Water		Downhole	11	+ FLUID RECEIVED	180
Direct Recirc Sump		Dumped	30	- FLUID LOST	149
Other (Recycled from M-1 RE)	150	Surface	100	FLUID in STORAGE	4
TOTAL RECEIVED	180	TOTAL LOST	149	FINAL VOLUME	652

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	8	Shaker #1	2x140;1x84	15
Degasser	Po'Boy	0	Desilter	10	8	Shaker #2	2x140;1x84	15

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.6	10.3	0.40
Desilter	8.6	11.8	0.36

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	12		1	11	$ 188.33
AMC Defoamer	$ 146.40	3		1	2	$ 146.40
AMC PHPA	$ 120.61	58		10	48	$ 1,206.10
AUS-GEL	$ 12.19	252		1	251	$ 12.19
Potassium Chloride (	$ 20.12	402		12	390	$ 241.44

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	1.5	14.0
Bentonite equiv.	0.3	2.3
Drilled Solids	1.2	11.2
Salt	0.5	5.2
n @ 22:30 Hrs	0.56	
K @ 22:30 Hrs	2.71	

Bit Hydraulics & Pressure Data

Jet Velocity	309 ft/sec
Impact force	618 lbs
HHP	193
HHP/in^2	3.4
Bit Press. Loss	739 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	>20.0
ECD	8.82 ppg
Max Pressure @ Shoe :	

DAILY COST	CUMULATIVE COST
$1,794.46	$7,543.52

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	10	Date :	13-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	651 to 821		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE		11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z			11	11	SET @	15	M	172	585	5.5 X 7	Inches	PRESSURE	1000 psi
DRILL PIPE	TYPE	Length				9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	608	Mtrs			SET @	507	M	757		GD PZ-7	97 %	UP	13 min
DRILL PIPE	TYPE	Length				PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1	Mtrs			LINER Set @		M	4		0.0514	214	TIME	71 min
D/Collars	Tools	Length				MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs		KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES				
SAMPLE FROM			Below Shaker	Below Shaker
TIME SAMPLE TAKEN			10:20	22:30
DEPTH (ft) - (m)		Metres	740	810
FLOWLINE TEMPERATURE	^{0}C	^{0}F	39 104	41 107
WEIGHT	ppg	SG	8.65 1.038	8.60 1.031
FUNNEL VISCOSITY (sec/qt) API @	41 ^{0}C		41	49
PLASTIC VISCOSITY cP @	50 ^{0}C		9	13
YIELD POINT (lb/100ft^2)			7	14
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			0 1	1 2
RHEOLOGY	θ 600	θ 300	25 16	40 27
RHEOLOGY	θ 200	θ 100	12 8	21 14
RHEOLOGY	θ 6	θ 3	1 1	2 1
FILTRATE API (cc's/30 min)			7.5	8.4
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --
SOLIDS CONTENT (% by Volume)			1.8	1.5
LIQUID CONTENT (% by Volume) OIL/WATER			0 98.2	0 98.5
SAND CONTENT (% by Vol.)			0.40	0.15
METHYLENE BLUE CAPACITY (ppb equiv.)			3.0	3.0
pH			10.0	10.0
ALKALINITY MUD (Pm)			0.42	0.28
ALKALINITY FILTRATE (Pf / Mf)			0 1.20	0.12 1.55
CHLORIDE (mg/L)			8,800	8,400
TOTAL HARDNESS AS CALCIUM (mg/L)			320	240
SULPHITE (mg/L)			150	250
K+ (mg/L)			7,900	7,400
KCl (% by Wt.)			1.5	1.4
PHPA (ppb)			1.37	1.80

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	NIL	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 140bbls of fluid from sump on location.
Phase in XANTHAN GUM to improve low-end rheology.
Still building up PHPA concentration.
Sodium Sulphite - 3 sx used yesterday, but not costed.

OPERATIONS SUMMARY

DS @ drilled depth of 651m - misrun, Drill to 717m, DS @ 705m N5°W.
Drill to 821m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	27	INITIAL VOLUME	652
Premix (recirc from sump)	140	Desilter	8		
Drill Water	20	Downhole	6	+ FLUID RECEIVED	160
Direct Recirc Sump		Dumped	10	- FLUID LOST	51
Other (Recycled from M-1 RE)		Surface		FLUID in STORAGE	4
TOTAL RECEIVED	160	TOTAL LOST	51	FINAL VOLUME	761

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	24	Shaker #1	2x140;1x84	24
Degasser	Po'Boy	0	Desilter	10	24	Shaker #2	2x140;1x84	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.6	9.5	0.79
Desilter	8.6	11.9	0.22

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	11		1	10	$ 188.33
AMC Defoamer	$ 146.40	2		1	1	$ 146.40
AMC PHPA	$ 120.61	48		15	33	$ 1,809.15
Potassium Chloride (1	$ 20.12	390		12	378	$ 241.44
Sodium Sulphite	$ 37.68	20		5	15	$ 188.40

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	1.5	14.0
Bentonite equiv.	0.2	1.7
Drilled Solids	1.3	11.7
Salt	0.5	4.9
n @ 22:30 Hrs	0.57	
K @ 22:30 Hrs	4.03	

Bit Hydraulics & Pressure Data

Jet Velocity	309 ft/sec
Impact force	618 lbs
HHP	193
HHP/in^2	3.4
Bit Press. Loss	739 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	8.88 ppg

DAILY COST	CUMULATIVE COST
$2,573.72	$10,117.24

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	11	Date :	14-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	821 to 1003		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE		11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z			11	11	SET @	15	M	211	596	5.5 X 7	Inches	PRESSURE	1000 psi
DRILL PIPE	TYPE	Length				9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	790 Mtrs				SET @	507	M	807		GD PZ-7	97 %	UP	17 min
DRILL PIPE	TYPE	Length				PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs				LINER Set @		M	4		0.0514	217	TIME	75 min
D/Collars	Tools	Length				MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	214
6.25	6.25	135.4	21.8	Mtrs		KCl/PHPA/POLYMER					10.82	455	(ft/min) DCs	336 336

MUD PROPERTIES			MUD PROPERTY SPECIFICATIONS					
	Below Shaker	Below Shaker	Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
SAMPLE FROM			Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
TIME SAMPLE TAKEN	10:00	22:50	KCl	NIL	PHPA	0.5 - 1.5	Sulphites	> 80
DEPTH (ft) - (m) Metres	897	999						
FLOWLINE TEMPERATURE ^{0}C ^{0}F	44 111	45 114						
WEIGHT ppg SG	8.65 1.038	8.60 1.031						
FUNNEL VISCOSITY (sec/qt) API @ 45 ^{0}C	49	51						
PLASTIC VISCOSITY cP @ 50 ^{0}C	14	15						
YIELD POINT (lb/100ft^2)	15	18						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	1 2	2 3						
RHEOLOGY θ 600 θ 300	43 29	48 33						
RHEOLOGY θ 200 θ 100	23 15	26 18						
RHEOLOGY θ 6 θ 3	3 2	4 3						
FILTRATE API (cc's/30 min)	8.5	8.0						
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--						
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --						
SOLIDS CONTENT (% by Volume)	1.9	1.6						
LIQUID CONTENT (% by Volume) OIL/WATER	0 98.1	0 98.4						
SAND CONTENT (% by Vol.)	0.15	0.10						
METHYLENE BLUE CAPACITY (ppb equiv.)	3.0	3.0						
pH	10.0	9.5						
ALKALINITY MUD (Pm)	0.45	0.24						
ALKALINITY FILTRATE (Pf / Mf)	0 1.32	0.08 1.48						
CHLORIDE (mg/L)	8,300	8,300						
TOTAL HARDNESS AS CALCIUM (mg/L)	200	160						
SULPHITE (mg/L)	120	200						
K+ (mg/L)	5,300	5,300						
KCl (% by Wt.)	1.0	1.0						
PHPA (ppb)	1.80	2.06						

OBSERVATIONS

Re-cycling 140bbls of fluid from sump on location.
Reclaimed a further 100bbls of fluid from sump @ M-1 site.
Treat fluid to maintain parameters.
Soda Ash - 4 sx used yesterday, but not costed.

OPERATIONS SUMMARY

Drill to 887m, DS @ 875m - Misrun;
Drill to 896m, DS @ 884m - 3°N5W.
Drill to 999m, DS @ 987m - Result N/A at time of closing this RPT.
Drill to 1003m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	13	INITIAL VOLUME	761
Premix (recirc from sump)	80	Desilter	24		
Drill Water	10	Downhole	4	+ FLUID RECEIVED	190
Direct Recirc Sump		Dumped	20	- FLUID LOST	140
Other (Recycled from M-1 RE)	100	Surface	80	FLUID in STORAGE	4
TOTAL RECEIVED	190	TOTAL LOST	140	FINAL VOLUME	811

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	24	Shaker #1	2x175, 1x140	24
Degasser	Po'Boy	0	Desilter	10	24	Shaker #2	2x175, 1x140	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.6	8.8	0.37
Desilter	8.6	8.9	0.69

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	10		1	9	$ 188.33
AMC Defoamer	$ 146.40	1		1		$ 146.40
AMC PAC-R	$ 162.49	65		5	60	$ 812.45
AMC PHPA	$ 120.61	33		10	23	$ 1,206.10
Potassium Chloride (	$ 20.12	378		10	368	$ 201.20
Soda Ash	$ 18.30	8		8		$ 146.40
Sodium Sulphite	$ 37.68	15		3	12	$ 113.04
Xanthan Gum	$ 362.19	13		7	6	$ 2,535.33

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	1.6	15.0
Bentonite equiv.	0.2	1.6
Drilled Solids	1.4	12.8
Salt	0.5	4.8
n @ 22:50 Hrs	0.54	
K @ 22:50 Hrs	5.80	

Bit Hydraulics & Pressure Data

Jet Velocity	313 ft/sec
Impact force	635 lbs
HHP	202
HHP/in^2	3.5
Bit Press. Loss	760 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	8.94 ppg

DAILY COST	CUMULATIVE COST
$5,349.25	$15,466.49

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	12	Date :	15-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1003 to 1221		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z		11	11	SET @	15	M	257	550	5.5 X 7	Inches	PRESSURE	1100 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1008 Mtrs			SET @	507	M	807		GD PZ-7	97 %	UP	20 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	4		0.0514	217	TIME	75 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	214
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.82	455	(ft/min) DCs	336 336

MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker
TIME SAMPLE TAKEN	10:20	22:45
DEPTH (ft) - (m) Metres	1,083	1,206
FLOWLINE TEMPERATURE ^{0}C ^{0}F	47 118	48 120
WEIGHT ppg SG	8.70 1.044	8.65 1.037
FUNNEL VISCOSITY (sec/qt) API @ 48 ^{0}C	49	50
PLASTIC VISCOSITY cP @ 50 ^{0}C	14	16
YIELD POINT (lb/100ft^2)	16	18
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	2 2	2 3
RHEOLOGY θ 600 θ 300	44 30	50 34
RHEOLOGY θ 200 θ 100	24 16	27 18
RHEOLOGY θ 6 θ 3	3 2	3 2
FILTRATE API (cc's/30 min)	8.6	7.8
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --
SOLIDS CONTENT (% by Volume)	2.3	1.9
LIQUID CONTENT (% by Volume) OIL/WATER	0 97.7	0 98.1
SAND CONTENT (% by Vol.)	0.10	0.20
METHYLENE BLUE CAPACITY (ppb equiv.)	4.0	3.5
pH	9.0	9.2
ALKALINITY MUD (Pm)	0.23	0.18
ALKALINITY FILTRATE (Pf / Mf)	0 1.05	0.10 1.10
CHLORIDE (mg/L)	8,200	8,500
TOTAL HARDNESS AS CALCIUM (mg/L)	300	280
SULPHITE (mg/L)	100	150
K+ (mg/L)	3,700	4,200
KCl (% by Wt.)	0.7	0.8
PHPA (ppb)	1.95	1.93

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 180bbls of fluid from sump on location.
Treat fluid to maintain parameters.

Received supplies of Xanthan Gum, Soda Ash+Sod.Sulphite.
AMC D/T: 06163, PST C/N 53082.
Returned 3 plts (96sx) AUS-DEX to PST-HALLAM Whse.

OPERATIONS SUMMARY

Result of the DS @ 987m - 4° N15W
Drill to 1102m, DS @ 1093m - 4½° N25W.
Drill to 1206m, DS @ 1194m - 5¾° N35W.
Drill to 1221m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	27	INITIAL VOLUME	811
Premix (recirc from sump)	180	Desilter	28		
Drill Water	10	Downhole	34	+ FLUID RECEIVED	190
Direct Recirc Sump		Dumped	20	- FLUID LOST	190
Other (Recycled from M-1 RE)		Surface	80	FLUID in STORAGE	4
TOTAL RECEIVED	190	TOTAL LOST	190	FINAL VOLUME	811

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	24	Shaker #1	2x175, 1x140	24
Degasser	Po'Boy	0	Desilter	10	24	Shaker #2	2x175, 1x140	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.6	9.2	0.79
Desilter	8.6	10.3	0.83

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	9		1	8	$ 188.33
AMC PAC-R	$ 162.49	60		4	56	$ 649.96
AMC PHPA	$ 120.61	23		5	18	$ 603.05
AUS-DEX	$ 58.79	96	-96	0	0	$ 0.00
Caustic Soda	$ 50.73	18		1	17	$ 50.73
Potassium Chloride (	$ 20.12	368		18	350	$ 362.16
Soda Ash	$ 18.30		40	4	36	$ 73.20
Sodium Sulphite	$ 37.68	12	42	2	52	$ 75.36
Xanthan Gum	$ 362.19	6	30	2	34	$ 724.38

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	1.9	18.4
Bentonite equiv.	0.2	1.8
Drilled Solids	1.8	15.9
Salt	0.5	4.9
n @ 22:45 Hrs	0.56	
K @ 22:45 Hrs	5.42	

Bit Hydraulics & Pressure Data

Jet Velocity	313 ft/sec
Impact force	639 lbs
HHP	203
HHP/in^2	3.6
Bit Press. Loss	764 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	8.99 ppg

DAILY COST	CUMULATIVE COST
$2,727.17	$18,193.66

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	13	Date :	16-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1221 to 1357		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-FM3553Z		11	11	SET @	15	M	286	538	5.5 X 7	Inches	PRESSURE	1200 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1144 Mtrs			SET @	507	M	824		GD PZ-7	97 %	UP	23 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	4		0.0514	217	TIME	77 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	214
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.82	455	(ft/min) DCs	336 336

MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker
TIME SAMPLE TAKEN	10:45	22:50
DEPTH (ft) - (m) Metres	1,300	1,356
FLOWLINE TEMPERATURE ^{0}C ^{0}F	49 122	50 122
WEIGHT ppg SG	8.70 1.044	8.80 1.055
FUNNEL VISCOSITY (sec/qt) API @ 50 ^{0}C	58	55
PLASTIC VISCOSITY cP @ 50 ^{0}C	19	18
YIELD POINT (lb/100ft^2)	25	24
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	4 5	3 4
RHEOLOGY θ 600 θ 300	63 44	60 42
RHEOLOGY θ 200 θ 100	35 24	34 23
RHEOLOGY θ 6 θ 3	5 4	5 3
FILTRATE API (cc's/30 min)	7.8	7.4
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --
SOLIDS CONTENT (% by Volume)	2.3	2.8
LIQUID CONTENT (% by Volume) OIL/WATER	0 97.7	0 97.2
SAND CONTENT (% by Vol.)	0.15	0.15
METHYLENE BLUE CAPACITY (ppb equiv.)	4.5	5.5
pH	9.8	10.0
ALKALINITY MUD (Pm)	0.32	0.46
ALKALINITY FILTRATE (Pf / Mf)	0 0.95	0.10 1.00
CHLORIDE (mg/L)	9,200	10,500
TOTAL HARDNESS AS CALCIUM (mg/L)	180	100
SULPHITE (mg/L)	250	200
K+ (mg/L)	5,800	8,900
KCl (% by Wt.)	1.1	1.7
PHPA (ppb)	1.87	1.83

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 40bbls of fluid from sump on location.
Reclaim a further 100bbls of fluid from sump @ M-1 site.
Treat fluid to maintain parameters.
Receive instructions to increase fluid density, reduce running hrs of de-sander+de-silter. Target: 8.9ppg.
Penetrating more reactive shales, K+ ion depletes faster, MBT on the increase. Ramp up KCl additions to make up for increased depletion and requirement for extra MW, but still trying to stay close to 1.5%.

Receive supplies of 40µ CaCO3, PHPA, Biocide+Defoamer and XTRA SWEEP.
AMC D/T: 06571, UNIMIN D/T 130725; GST C/N 14538, -981;

OPERATIONS SUMMARY

Drill to 1308m, DS @ 1296m - 4¾° N15W
Drill to 1357m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	29	INITIAL VOLUME	811
Premix (recirc from sump)	40	Desilter	34		
Drill Water	20	Downhole	20	+ FLUID RECEIVED	160
Direct Recirc Sump		Dumped	20	- FLUID LOST	143
Other (Recycled from M-1 RE)	100	Surface	40	FLUID in STORAGE	4
TOTAL RECEIVED	160	TOTAL LOST	143	FINAL VOLUME	828

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	22	Shaker #1	2x175, 1x140	24
Degasser	Po'Boy	0	Desilter	10	18	Shaker #2	2x175, 1x140	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.7	8.9	0.92
Desilter	8.7	8.9	1.32

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	8	16	1	23	$ 188.33
AMC Defoamer	$ 146.40		3	0	3	$ 0.00
AMC PAC-R	$ 162.49	56		8	48	$ 1,299.92
AMC PHPA	$ 120.61	18	30	4	44	$ 482.44
Calcium Carbonate -	$ 11.65		720	0	720	$ 0.00
Potassium Chloride (	$ 20.12	350		42	308	$ 845.04
Soda Ash	$ 18.30	36		8	28	$ 146.40
Sodium Sulphite	$ 37.68	52		3	49	$ 113.04
XTRA - Sweep	$ 112.40	4	4	0	8	$ 0.00

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	2.8	26.7
Bentonite equiv.	0.3	3.1
Drilled Solids	2.5	22.6
Salt	0.6	6.1
n @ 22:50 Hrs	0.51	
K @ 22:50 Hrs	8.69	

Bit Hydraulics & Pressure Data

Jet Velocity	313 ft/sec
Impact force	650 lbs
HHP	206
HHP/in^2	3.6
Bit Press. Loss	778 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.26 ppg

DAILY COST	CUMULATIVE COST
$3,075.17	$21,268.83

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	14	Date :	17-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1357 to 1421		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	DBS SE3653Z		11	11	SET @	15	M	339	389	5.5 X 7	Inches	PRESSURE	1200 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1208 Mtrs			SET @	507	M	728		GD PZ-7	97 %	UP	32 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	191		0.0514	214	TIME	86 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker
TIME SAMPLE TAKEN	10:40	17:00
DEPTH (ft) - (m) Metres	1,404	1,422
FLOWLINE TEMPERATURE ^{0}C ^{0}F	52 126	53 129
WEIGHT ppg SG	8.85 1.062	8.90 1.067
FUNNEL VISCOSITY (sec/qt) API @ 53 ^{0}C	54	55
PLASTIC VISCOSITY cP @ 50 ^{0}C	20	19
YIELD POINT (lb/100ft^2)	23	24
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	3 4	3 4
RHEOLOGY θ 600 θ 300	63 43	62 43
RHEOLOGY θ 200 θ 100	34 23	35 23
RHEOLOGY θ 6 θ 3	4 3	5 3
FILTRATE API (cc's/30 min)	7.6	7.3
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --
SOLIDS CONTENT (% by Volume)	3.1	3.5
LIQUID CONTENT (% by Volume) OIL/WATER	0 96.9	0 96.5
SAND CONTENT (% by Vol.)	0.20	0.20
METHYLENE BLUE CAPACITY (ppb equiv.)	5.0	4.5
pH	9.5	10.0
ALKALINITY MUD (Pm)	0.35	0.43
ALKALINITY FILTRATE (Pf / Mf)	0 0.95	0.10 1.00
CHLORIDE (mg/L)	12,000	12,000
TOTAL HARDNESS AS CALCIUM (mg/L)	120	200
SULPHITE (mg/L)	100	250
K+ (mg/L)	9,500	9,500
KCl (% by Wt.)	1.8	1.8
PHPA (ppb)	1.77	1.73

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 120bbls of fluid from sump on location.
Reclaim a further 50bbls of fluid from sump @ M-1 site.
Treat fluid to maintain parameters.
Mix heavy Pill, using 24sx 40µ Calcium Carbonate.
Mud volumes reported w/- bit @ SFC.

OPERATIONS SUMMARY

Drill to 1411m, DS @ 1399m - 4° N20W
Drill to 1421m, CO, Flow-check, Pump heavy, CaCO3 based pill,
POOH to SFC - W/trip+Bit check.
M/U NB3, DBS SE3653Z, 6x11 (TFA 0.555 in²) , SN 1082 5011,
BHA otherwise unchanged, Bit @ 40m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	3	INITIAL VOLUME	828
Premix (recirc from sump)	120	Desilter	4		
Drill Water		Downhole	22	+ FLUID RECEIVED	170
Direct Recirc Sump		Dumped	20	- FLUID LOST	79
Other (Recycled from M-1 RE)	50	Surface	30	FLUID in STORAGE	191
TOTAL RECEIVED	170	TOTAL LOST	79	FINAL VOLUME	919

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x14(	14
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x14(	14

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.8	9.0	0.92
Desilter	8.8	9.2	1.45

Product	Price	Start	Received	Used	Close	Cost
AMC PAC-R	$ 162.49	48		4	44	$ 649.96
AMC PHPA	$ 120.61	44		2	42	$ 241.22
Calcium Carbonate -	$ 11.65	720		24	696	$ 279.60
Caustic Soda	$ 50.73	17		1	16	$ 50.73
Potassium Chloride (	$ 20.12	308		12	296	$ 241.44
Sodium Sulphite	$ 37.68	49		2	47	$ 75.36
Xanthan Gum	$ 362.19	34		2	32	$ 724.38

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	3.5	33.2
Bentonite equiv.	0.1	1.1
Drilled Solids	3.4	30.7
Salt	0.7	6.9
n @ 17:00 Hrs	0.53	
K @ 17:00 Hrs	8.18	

Bit Hydraulics & Pressure Data

Jet Velocity	258 ft/sec
Impact force	533 lbs
HHP	139
HHP/in²	2.4
Bit Press. Loss	531 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.35 ppg

DAILY COST	CUMULATIVE COST
$2,262.69	$23,531.52

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	15	Date :	18-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1421 to 1524		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	DBS SE3653Z	11	11	11	SET @	15	M	322	564	5.5 X 7	Inches	PRESSURE	1100 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1311 Mtrs			SET @	507	M	886		GD PZ-7	97 %	UP	26 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	17		0.0514	214	TIME	85 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES					MUD PROPERTY SPECIFICATIONS					
SAMPLE FROM			Below Shaker	Below Shaker	Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
TIME SAMPLE TAKEN			10:00	22:20	Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
DEPTH (ft) - (m)		Metres	1,433	1,519	KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80
FLOWLINE TEMPERATURE	^{0}C	^{0}F	46 116	49 122						
WEIGHT	ppg	SG	8.85 1.062	8.95 1.073						
FUNNEL VISCOSITY (sec/qt) API @	49 ^{0}C		55	57						
PLASTIC VISCOSITY cP @	50 ^{0}C		18	21						
YIELD POINT (lb/100ft^2)			21	24						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			2 3	3 4						
RHEOLOGY	θ 600	θ 300	57 39	66 45						
RHEOLOGY	θ 200	θ 100	30 20	36 24						
RHEOLOGY	θ 6	θ 3	4 3	4 3						
FILTRATE API (cc's/30 min)			7.4	7.2						
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--						
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --						
SOLIDS CONTENT (% by Volume)			3.2	3.9						
LIQUID CONTENT (% by Volume) OIL/WATER			0 96.8	0 96.1						
SAND CONTENT (% by Vol.)			0.20	0.25						
METHYLENE BLUE CAPACITY (ppb equiv.)			5.0	5.5						
pH			10.0	9.8						
ALKALINITY MUD (Pm)			0.38	0.35						
ALKALINITY FILTRATE (Pf / Mf)			0 0.88	0.06 0.90						
CHLORIDE (mg/L)			11,000	11,000						
TOTAL HARDNESS AS CALCIUM (mg/L)			240	180						
SULPHITE (mg/L)			120	250						
K+ (mg/L)			8,900	8,900						
KCl (% by Wt.)			1.7	1.7						
PHPA (ppb)			1.77	1.70						

OBSERVATIONS

Re-cycling 80bbls of fluid from sump on location.
Treat fluid to maintain parameters.
Adding 24sx CaCO3 to system, to maintain fluid density at 8.9-9.0ppg

OPERATIONS SUMMARY

RIH BHA on 4½"DP to CSG shoe, slip 33' drilling line. RIH to 1006m. fill string, break circulation. RIH to 1399m, P/U kelly, ream+wash to 1421m, resume drilling. Drill to 1505m, DS @ 1493m - 4½° N22W. Drill to 1524m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	2	INITIAL VOLUME	919
Premix (recirc from sump)	80	Desilter	2		
Drill Water		Downhole	18	+ FLUID RECEIVED	80
Direct Recirc Sump		Dumped	15	- FLUID LOST	97
Other (Recycled from M-1 RE)		Surface	60	FLUID in STORAGE	17
TOTAL RECEIVED	80	TOTAL LOST	97	FINAL VOLUME	903

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x140	16
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x140	16

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.9	9.7	0.62
Desilter	8.9	9.4	0.62

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	23		1	22	$ 188.33
AMC PAC-R	$ 162.49	44		5	39	$ 812.45
AMC PHPA	$ 120.61	42		2	40	$ 241.22
Calcium Carbonate -	$ 11.65	696		24	672	$ 279.60
Sodium Sulphite	$ 37.68	47		2	45	$ 75.36

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	3.9	36.8
Bentonite equiv.	0.2	1.8
Drilled Solids	3.7	33.5
Salt	0.7	6.4
Calcium Carbonate		2.8
n @ 22:20 Hrs	0.55	
K @ 22:20 Hrs	7.35	

Bit Hydraulics & Pressure Data

Jet Velocity	258 ft/sec
Impact force	536 lbs
HHP	140
HHP/in^2	2.5
Bit Press. Loss	534 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.41 ppg

DAILY COST	CUMULATIVE COST
$1,596.96	$25,128.48

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	16	Date :	19-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1524 to 1578		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	DBS SE3653Z	11	11	11	SET @	15	M	333	492	5.5 X 7	Inches	PRESSURE	1100 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1365 Mtrs			SET @	507	M	825		GD PZ-7	97 %	UP	27 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	64		0.0514	214	TIME	83 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker
TIME SAMPLE TAKEN	10:30	20:45
DEPTH (ft) - (m) Metres	1,561	1,578
FLOWLINE TEMPERATURE ^{0}C ^{0}F	52 127	54 130
WEIGHT ppg SG	8.90 1.068	8.90 1.067
FUNNEL VISCOSITY (sec/qt) API @ 54 ^{0}C	55	54
PLASTIC VISCOSITY cP @ 50 ^{0}C	20	20
YIELD POINT (lb/100ft^2)	22	21
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	2 3	3 3
RHEOLOGY θ 600 θ 300	62 42	61 41
RHEOLOGY θ 200 θ 100	34 23	32 21
RHEOLOGY θ 6 θ 3	4 3	4 3
FILTRATE API (cc's/30 min)	6.9	7.0
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --
SOLIDS CONTENT (% by Volume)	3.6	3.6
LIQUID CONTENT (% by Volume) OIL/WATER	0 96.4	0 96.4
SAND CONTENT (% by Vol.)	0.20	0.15
METHYLENE BLUE CAPACITY (ppb equiv.)	5.0	4.5
pH	10.5	10.5
ALKALINITY MUD (Pm)	0.58	0.53
ALKALINITY FILTRATE (Pf / Mf)	0 1.42	0.15 1.25
CHLORIDE (mg/L)	10,500	9,800
TOTAL HARDNESS AS CALCIUM (mg/L)	100	80
SULPHITE (mg/L)	200	250
K+ (mg/L)	7,900	7,400
KCl (% by Wt.)	1.5	1.4
PHPA (ppb)	1.83	1.89

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 120bbls of fluid from sump on location.
Treat fluid to maintain parameters.
Running hydro-cyclone solids control equipment <10% of the time, to prevent system WT from dropping below the requested 8.9ppg.
Pit levels recorded prior to POOH.

OPERATIONS SUMMARY

Drill to 1578m, ROP unsatisfactory, decision to pull bit. Mix+pump heavy pill, check for flow, POOH - bit @ 447m @ 24:00hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	2	INITIAL VOLUME	903
Premix (recirc from sump)	120	Desilter	2		
Drill Water		Downhole	19	+ FLUID RECEIVED	120
Direct Recirc Sump		Dumped	20	- FLUID LOST	134
Other (Recycled from M-1 RE)		Surface	90	FLUID in STORAGE	64
TOTAL RECEIVED	120	TOTAL LOST	134	FINAL VOLUME	889

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x140	21
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x140	21

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	8.9	9.7	0.75
Desilter	8.9	9.4	0.83

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	22		1	21	$ 188.33
AMC Defoamer	$ 146.40	3		1	2	$ 146.40
AMC PAC-R	$ 162.49	39		2	37	$ 324.98
AMC PHPA	$ 120.61	40		5	35	$ 603.05
Calcium Carbonate -	$ 11.65	672		32	640	$ 372.80
Caustic Soda	$ 50.73	16		1	15	$ 50.73
Potassium Chloride (	$ 20.12	296		2	294	$ 40.24
Sodium Sulphite	$ 37.68	45		4	41	$ 150.72

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	3.6	34.2
Bentonite equiv.	0.1	1.0
Drilled Solids	3.5	31.9
Salt	0.6	5.7
Calcium Carbonate		4.4
n @ 20:45 Hrs	0.57	
K @ 20:45 Hrs	5.89	

Bit Hydraulics & Pressure Data

Jet Velocity	258 ft/sec
Impact force	533 lbs
HHP	139
HHP/in^2	2.4
Bit Press. Loss	531 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.30 ppg

DAILY COST	CUMULATIVE COST
$1,877.25	$27,005.73

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	17	Date :	20-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1578 to 1636		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC - XS16D				SET @	15	M	345	582	5.5 X 7	Inches	PRESSURE	1500 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1423 Mtrs			SET @	507	M	927		GD PZ-7	97 %	UP	28 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	10		0.0514	214	TIME	88 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

		MUD PROPERTIES		MUD PROPERTY SPECIFICATIONS					
SAMPLE FROM		Below Shaker	Below Shaker	Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
TIME SAMPLE TAKEN		10:30	22:45	Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
DEPTH (ft) - (m)	Metres	1,587	1,630	KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80
FLOWLINE TEMPERATURE	^{0}C ^{0}F	49 122	54 130						
WEIGHT	ppg SG	8.90 1.068	9.00 1.079						
FUNNEL VISCOSITY (sec/qt) API @	54 ^{0}C	54	51						
PLASTIC VISCOSITY cP @	50 ^{0}C	20	19						
YIELD POINT (lb/100ft^2)		20	19						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		2 3	2 3						
RHEOLOGY	θ 600 θ 300	60 40	57 38						
RHEOLOGY	θ 200 θ 100	32 21	30 20						
RHEOLOGY	θ 6 θ 3	4 2	3 2						
FILTRATE API (cc's/30 min)		7.0	6.8						
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--	--						
CAKE THICKNESS API : HPHT (32nd in)		1 --	1 --						
SOLIDS CONTENT (% by Volume)		3.6	4.3						
LIQUID CONTENT (% by Volume) OIL/WATER		0 96.4	0 95.7						
SAND CONTENT (% by Vol.)		0.15	0.25						
METHYLENE BLUE CAPACITY (ppb equiv.)		4.5	5.0						
pH		10.5	10.0						
ALKALINITY MUD (Pm)		0.55	0.44						
ALKALINITY FILTRATE (Pf / Mf)		0 1.30	0.13 1.18						
CHLORIDE (mg/L)		10,800	11,000						
TOTAL HARDNESS AS CALCIUM (mg/L)		60	160						
SULPHITE (mg/L)		250	200						
K+ (mg/L)		7,900	8,400						
KCl (% by Wt.)		1.5	1.6						
PHPA (ppb)		1.89	1.88						

OBSERVATIONS

Re-cycling 100bbls of fluid from sump on location. Add KCl to bring concentration back to 1.5%, also add CaCO3 to maintain WT at or above 8.9ppg. Add a further pallet (48sx) of CaCO3 to raise WT to 9.0ppg. Formations exhibit signs of being tectonically stressed.

Leave orders to ensure, recycled pre-mix is weighted to 9.1ppg, (CaCO3 only) before being added to system.

OPERATIONS SUMMARY

POOH to SFC, lay out bit (graded: 1 – 0 – CT – N – X – I – NO – PR)
Make up RR bit 4, SEC/DBS tri-cone insert bit, type XS16D, IADC code 447X, S/N 743418, 3x13 jets (TFA 0.388in2) and RIH to 1568m, P/U kelly, wash to 1578m, no fill, resume drilling.
Drill to 1608m, SD @ 1596m - 3¼°N18W.
Drill to 1624m, indications, that abnormal pressure begins to assert itself. Orders to increase MW by one point to 9.0ppg. Drill to 1636m, experiencing tight hole, work string though tight interval 1617 to 27m.

Well at 1636m @ 24:00hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	3	INITIAL VOLUME	889
Premix (recirc from sump)	100	Desilter	3		
Drill Water	20	Downhole	16	+ FLUID RECEIVED	120
Direct Recirc Sump		Dumped	10	- FLUID LOST	72
Other (Recycled from M-1 RE)		Surface	40	FLUID in STORAGE	10
TOTAL RECEIVED	120	TOTAL LOST	72	FINAL VOLUME	937

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Size	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x14(	16
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x14(	16

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.0	9.5	0.92
Desilter	9.0	9.6	0.95

Product	Price	Start	Received	Used	Close	Cost
AMC Defoamer	$ 146.40	2		1	1	$ 146.40
AMC PAC-R	$ 162.49	37		2	35	$ 324.98
AMC PHPA	$ 120.61	35		4	31	$ 482.44
Calcium Carbonate -	$ 11.65	640		64	576	$ 745.60
Potassium Chloride (	$ 20.12	294		12	282	$ 241.44
Sodium Sulphite	$ 37.68	41		3	38	$ 113.04

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	4.3	40.4
Bentonite equiv.	0.1	0.8
Drilled Solids	4.2	38.0
Salt	0.7	6.4
Calcium Carbonate		7.6
n @ 22:45 Hrs	0.58	
K @ 22:45 Hrs	5.07	

Bit Hydraulics & Pressure Data

Jet Velocity	369 ft/sec
Impact force	771 lbs
HHP	288
HHP/in^2	5.1
Bit Press. Loss	1101 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.35 ppg

DAILY COST	CUMULATIVE COST
$2,053.90	$29,059.63

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	18	Date :	21-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1636 to 1722		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC - XS16D				SET @	15	M	364	635	5.5 X 7	Inches	PRESSURE	1600 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1509 Mtrs			SET @	507	M	999		GD PZ-7	97 %	UP	30 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	70		0.0514	214	TIME	100 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

	MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker	
TIME SAMPLE TAKEN	10:20	22:00	
DEPTH (ft) - (m)	1,671	1,713	Metres
FLOWLINE TEMPERATURE	54 130	54 129	^{0}C ^{0}F
WEIGHT	9.05 1.086	8.95 1.073	ppg SG
FUNNEL VISCOSITY (sec/qt) API @	51	48	54 ^{0}C
PLASTIC VISCOSITY cP @	20	18	50 ^{0}C
YIELD POINT (lb/100ft^2)	18	15	
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	2 3	2 2	
RHEOLOGY	58 38	51 33	θ 600 θ 300
RHEOLOGY	30 20	26 16	θ 200 θ 100
RHEOLOGY	3 2	3 2	θ 6 θ 3
FILTRATE API (cc's/30 min)	6.8	6.5	
HPHT FILTRATE (cc's/30 min) @	--	--	-- ^{0}F
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --	
SOLIDS CONTENT (% by Volume)	4.6	4.0	
LIQUID CONTENT (% by Volume) OIL/WATER	0 95.4	0 96.0	
SAND CONTENT (% by Vol.)	0.25	0.20	
METHYLENE BLUE CAPACITY (ppb equiv.)	5.0	4.5	
pH	9.5	9.3	
ALKALINITY MUD (Pm)	0.45	0.33	
ALKALINITY FILTRATE (Pf / Mf)	0 0.85	0.03 0.80	
CHLORIDE (mg/L)	10,000	9,600	
TOTAL HARDNESS AS CALCIUM (mg/L)	120	80	
SULPHITE (mg/L)	120	250	
K+ (mg/L)	7,900	7,400	
KCl (% by Wt.)	1.5	1.4	
PHPA (ppb)	1.88	1.82	

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Re-cycling 120bbls of fluid from sump on location.
Giving preference to using fluid from local sump, as fluid level in there has increased significantly, partially on account of very wet wether.
Inadvertent addition of 60bbls lease-water to system results in lower readings for main fluid parameters. Remedial action under way.

OPERATIONS SUMMARY

Work tight hole between 1627 and 1636m. Make conn.+resume drlg.
Drill to 1722m, decision to make check trip. Circulate hole clean, prepare heavy pill, using CaCO3.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	2	INITIAL VOLUME	937
Premix (recirc from sump)	120	Desilter	2		
Drill Water	60	Downhole	9	+ FLUID RECEIVED	180
Direct Recirc Sump		Dumped	10	- FLUID LOST	49
Other (Recycled from M-1 RE)		Surface	25	FLUID in STORAGE	70
TOTAL RECEIVED	180	TOTAL LOST	49	FINAL VOLUME	1,069

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1 2x175, 1x140		24
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2 2x175, 1x140		24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.0	9.5	0.75
Desilter	9.0	9.6	0.83

Product	Price	Start	Received	Used	Close	Cost
AMC Defoamer	$ 146.40	1		1		$ 146.40
AMC PAC-R	$ 162.49	35		4	31	$ 649.96
AMC PHPA	$ 120.61	31		4	27	$ 482.44
Calcium Carbonate -	$ 11.65	576		192	384	$ 2,236.80
Soda Ash	$ 18.30	28		2	26	$ 36.60
Sodium Sulphite	$ 37.68	38		2	36	$ 75.36
Xanthan Gum	$ 362.19	32		3	29	$ 1,086.57

Solids Analysis	% Vol	PPB
High Grav solids		
Total LGS	4.0	37.6
Bentonite equiv.	0.1	0.6
Drilled Solids	3.9	35.5
Salt	0.6	5.6
Calcium Carbonate		6.3
n @ 22:00 Hrs	0.63	
K @ 22:00 Hrs	3.37	

Bit Hydraulics & Pressure Data	
Jet Velocity	369 ft/sec
Impact force	767 lbs
HHP	286
HHP/in^2	5.0
Bit Press. Loss	1095 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.24 ppg

DAILY COST	CUMULATIVE COST
$4,714.13	$33,773.76

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

Report #	19	Date :	22-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1722 to 1778		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC - XS16D				SET @	15	M	376	610	5.5 X 7	Inches	PRESSURE	1700 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1565 Mtrs			SET @	507	M	986		GD PZ-7	97 %	UP	31 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	4		0.0514	214	TIME	93 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES				
SAMPLE FROM			Below Shaker	Below Shaker
TIME SAMPLE TAKEN			10:00	22:30
DEPTH (ft) - (m)		Metres	1,750	1,776
FLOWLINE TEMPERATURE	^{0}C	^{0}F	55 131	58 137
WEIGHT	ppg	SG	9.10 1.092	9.15 1.097
FUNNEL VISCOSITY (sec/qt) API @	58 ^{0}C		56	56
PLASTIC VISCOSITY cP @	50 ^{0}C		21	23
YIELD POINT (lb/100ft^2)			27	25
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			3 5	3 4
RHEOLOGY	θ 600	θ 300	69 48	71 48
RHEOLOGY	θ 200	θ 100	38 25	38 26
RHEOLOGY	θ 6	θ 3	5 3	5 3
FILTRATE API (cc's/30 min)			6.2	6.0
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --
SOLIDS CONTENT (% by Volume)			5.1	5.3
LIQUID CONTENT (% by Volume) OIL/WATER			0 94.9	0 94.7
SAND CONTENT (% by Vol.)			0.35	0.30
METHYLENE BLUE CAPACITY (ppb equiv.)			5.0	6.0
pH			9.5	10.2
ALKALINITY MUD (Pm)			0.40	0.53
ALKALINITY FILTRATE (Pf / Mf)			0 0.85	0.15 1.05
CHLORIDE (mg/L)			9,400	11,800
TOTAL HARDNESS AS CALCIUM (mg/L)			60	80
SULPHITE (mg/L)			100	200
K+ (mg/L)			5,800	9,500
KCl (% by Wt.)			1.1	1.8
PHPA (ppb)			1.97	2.13

MUD PROPERTY SPECIFICATIONS					
Mud Weight	< 9.0	API Filtrate	< 10	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Treat system for water added and raise density to 9.1+ppg.
Higher clay content of formation accelates K+ ion depletion, carry out KCl addition to bring concentration back to ~1.5%.
Use CaCO3 to maintain density at 9.1 - 9.2ppg.

OPERATIONS SUMMARY

Run DS @ 1710m - 3°N35E. Pumpb heavy pill, make check trip to 1530m. Hole condition good. RIH to 1701m, P/U kelly, wash 1m fill. Resume drilling and reach 1778m at 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	3	INITIAL VOLUME	1069
Premix (recirc from sump)		Desilter	4		
Drill Water	10	Downhole	3	+ FLUID RECEIVED	10
Direct Recirc Sump		Dumped	20	- FLUID LOST	89
Other (Recycled from M-1 RE)		Surface	60	FLUID in STORAGE	4
TOTAL RECEIVED	10	TOTAL LOST	89	FINAL VOLUME	990

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x14	24
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x14	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.1	9.7	0.92
Desilter	9.1	9.8	1.32

Product	Price	Start	Received	Used	Close	Cost
AMC PAC-R	$ 162.49	31		2	29	$ 324.98
AMC PHPA	$ 120.61	27		6	21	$ 723.66
Calcium Carbonate -	$ 11.65	384		192	192	$ 2,236.80
Caustic Soda	$ 50.73	15		1	14	$ 50.73
Potassium Chloride (	$ 20.12	282		66	216	$ 1,327.92
Soda Ash	$ 18.30	26		2	24	$ 36.60
Sodium Sulphite	$ 37.68	36		3	33	$ 113.04
Xanthan Gum	$ 362.19	29		5	24	$ 1,810.95

Solids Analysis	% Vol	PPB
High Grav solids		
Total LGS	5.3	49.9
Calcium Carbonate		26.7
Bentonite equiv.	0.1	0.8
Drilled Solids	5.2	47.2
Salt	0.7	6.8
n @ 22:30 Hrs	0.56	
K @ 22:30 Hrs	7.26	

Bit Hydraulics & Pressure Data	
Jet Velocity	369 ft/sec
Impact force	784 lbs
HHP	293
HHP/in^2	5.1
Bit Press. Loss	1120 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.62 ppg

DAILY COST	CUMULATIVE COST
$6,624.68	$40,398.44

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	20	Date :	23-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1778 to 1810		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC - XS16D				SET @	15	M	429	512	5.5 X 7	Inches	PRESSURE	1750 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1597 Mtrs			SET @	507	M	941		GD PZ-7	97 %	UP	40 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	39		0.0514	214	TIME	92 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	135.4	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

		MUD PROPERTIES			
SAMPLE FROM		Below Shaker		Below Shaker	
TIME SAMPLE TAKEN		10:15		16:45	
DEPTH (ft) - (m)	Metres	1,802		1,810	
FLOWLINE TEMPERATURE	^{0}C / ^{0}F	58	138	60	140
WEIGHT	ppg / SG	9.15	1.098	9.20	1.103
FUNNEL VISCOSITY (sec/qt) API @	60 ^{0}C	56		56	
PLASTIC VISCOSITY cP @	60 ^{0}C	21		20	
YIELD POINT (lb/100ft^2)		23		25	
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		3	4	4	5
RHEOLOGY	θ 600 / θ 300	65	44	65	45
RHEOLOGY	θ 200 / θ 100	35	24	36	25
RHEOLOGY	θ 6 / θ 3	5	3	5	4
FILTRATE API (cc's/30 min)		5.8		5.8	
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--		--	
CAKE THICKNESS API : HPHT (32nd in)		1	--	1	--
SOLIDS CONTENT (% by Volume)		5.3		5.7	
LIQUID CONTENT (% by Volume) OIL/WATER		0	94.7	0	94.3
SAND CONTENT (% by Vol.)		0.25		0.25	
METHYLENE BLUE CAPACITY (ppb equiv.)		5.5		5.5	
pH		9.8		9.8	
ALKALINITY MUD (Pm)		0.45		0.43	
ALKALINITY FILTRATE (Pf / Mf)		0.10	0.90	0.08	0.93
CHLORIDE (mg/L)		11,000		10,900	
TOTAL HARDNESS AS CALCIUM (mg/L)		60		60	
SULPHITE (mg/L)		250		220	
K+ (mg/L)		9,500		8,900	
KCl (% by Wt.)		1.8		1.7	
PHPA (ppb)		2.20		2.21	

MUD PROPERTY SPECIFICATIONS

Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Recycle 40bbls fluid from local sump and treat to current spec.
Fluid system stable. Use hydro-cyclone SC equipment intermittently.
With the flow-line temperature approaching 60°C and after checking
w/- RMN management, rheology now being run at 60°C.

OPERATIONS SUMMARY

Drill to 1810m, decision to pull bit. CO, mix+pump heavy CaCO3 pill,
Drop DS, POOH to SFC. Hole condition good, no over-pull.
Bit visually in good condition, grading TBA.
M/U NB5, a SEC/DBS tri-cone insert bit, Type EBXS12DS,
IADC code 437, SN 1085 0552, 1x13, 2x14 jets, TFA of 0.429in².

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	4	INITIAL VOLUME	990
Premix (recirc from sump)	40	Desilter	4		
Drill Water		Downhole	2	+ FLUID RECEIVED	40
Direct Recirc Sump		Dumped	10	- FLUID LOST	50
Other (Recycled from M-1 RE)		Surface	30	FLUID in STORAGE	39
TOTAL RECEIVED	40	TOTAL LOST	50	FINAL VOLUME	980

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	4	Shaker #1 2x175, 1x14		17
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2 2x175, 1x14		17

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.2	9.6	0.62
Desilter	9.2	9.8	1.32

Product	Price	Start	Received	Used	Close	Cost
AMC Defoamer	$ 146.40		24	0	24	$ 0.00
AMC PAC-R	$ 162.49	29	32	2	59	$ 324.98
AMC PHPA	$ 120.61	21	20	3	38	$ 361.83
Calcium Carbonate -	$ 11.65	192	720	36	876	$ 419.40
Sodium Sulphite	$ 37.68	33		2	31	$ 75.36
Xanthan Gum	$ 362.19	24	16	1	39	$ 362.19

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	5.7	53.6
Calcium Carbonate		27.6
Bentonite equiv.	0	0
Drilled Solids	5.7	51.5
Salt	0.6	6.3
n @ 16:45 Hrs	0.53	
K @ 16:45 Hrs	8.43	

Bit Hydraulics & Pressure Data

Jet Velocity	369 ft/sec
Impact force	788 lbs
HHP	294
HHP/in²	5.2
Bit Press. Loss	1126 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.66 ppg

DAILY COST	CUMULATIVE COST
$1,543.76	$41,942.20

RMN ENGINEER: Peter ARONETZ — CITY: Adelaide Office — TELEPHONE: 08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	21	Date :	24-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1810 to 1845		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Agus NUGROHO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	14	14	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION		
8.50	SEC-XS12DS				SET @	15	M	388	565	5.5 X 7	Inches	PRESSURE	1600	psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 1605 Mtrs			9 5/8 INTERMEDIATE SET @	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS UP	32	min
						507	M	953		GD PZ-7	97 %			
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs			PRODUCTION/ LINER Set @		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC. TIME	90	min
							M	4		0.0514	214			
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211	
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331	331

MUD PROPERTIES				
SAMPLE FROM			Below Shaker	Below Shaker
TIME SAMPLE TAKEN			10:30	22:20
DEPTH (ft) - (m)		Metres	1,812	1,840
FLOWLINE TEMPERATURE	^{0}C	^{0}F	51 125	57 135
WEIGHT	ppg	SG	9.30 1.116	9.25 1.109
FUNNEL VISCOSITY (sec/qt) API @	57 ^{0}C		56	54
PLASTIC VISCOSITY cP @	60 ^{0}C		20	19
YIELD POINT (lb/100ft^2)			23	23
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			3 4	2 3
RHEOLOGY	θ 600	θ 300	63 43	61 42
RHEOLOGY	θ 200	θ 100	33 23	34 22
RHEOLOGY	θ 6	θ 3	5 3	4 2
FILTRATE API (cc's/30 min)			5.6	5.5
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --
SOLIDS CONTENT (% by Volume)			6.4	6.0
LIQUID CONTENT (% by Volume) OIL/WATER			0 93.6	0 94.0
SAND CONTENT (% by Vol.)			0.25	0.25
METHYLENE BLUE CAPACITY (ppb equiv.)			5.0	5.0
pH			9.8	9.0
ALKALINITY MUD (Pm)			0.45	0.26
ALKALINITY FILTRATE (Pf / Mf)			0.10 0.92	0.03 0.75
CHLORIDE (mg/L)			11,200	11,000
TOTAL HARDNESS AS CALCIUM (mg/L)			80	160
SULPHITE (mg/L)			120	200
K+ (mg/L)			8,900	8,400
KCl (% by Wt.)			1.7	1.6
PHPA (ppb)			2.22	2.18

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Recycle a further 40bbls fluid from local sump and treat to current spec. MW after trip 9.3ppg, dropping back to 9.2+ppg during day. Pre-mix added un-weighted (8.6ppg).

OPERATIONS SUMMARY

Recovered survey barrel, picture a double exposure, imposs. to read. P/U 3x6¼"DC, RIH to CSG shoe, slip+cut 138m D/line. RIH to 1000m, Break circulation. RIH to 1784m, P/U kelley, ream+wash to 1810m, Drill to 1833m, DS @ 1810m - 2¼°N56E. Drill to 1845m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	2	INITIAL VOLUME	980
Premix (recirc from sump)	40	Desilter	3		
Drill Water		Downhole	3	+ FLUID RECEIVED	40
Direct Recirc Sump		Dumped	20	- FLUID LOST	63
Other (Recycled from M-1 RE)		Surface	35	FLUID in STORAGE	4
TOTAL RECEIVED	40	TOTAL LOST	63	FINAL VOLUME	957

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1	2x175, 1x14	18
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2	2x175, 1x14	18

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.2	9.7	0.75
Desilter	9.2	9.8	1.18

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	21		1	20	$ 188.33
AMC Defoamer	$ 146.40	24		1	23	$ 146.40
AMC PAC-R	$ 162.49	59		4	55	$ 649.96
AMC PHPA	$ 120.61	38		1	37	$ 120.61
Sodium Sulphite	$ 37.68	31		2	29	$ 75.36
Xanthan Gum	$ 362.19	39		4	35	$ 1,448.76

Solids Analysis

	% Vol	PPB
High Grav solids		
Total LGS	6.0	57.2
Calcium Carbonate		26.5
Bentonite equiv.	0	0
Drilled Solids	6.0	55.0
Salt	0.7	6.4
n @ 22:20 Hrs	0.54	
K @ 22:20 Hrs	7.49	

Bit Hydraulics & Pressure Data

Jet Velocity	333 ft/sec
Impact force	716 lbs
HHP	242
HHP/in^2	4.3
Bit Press. Loss	924 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.69 ppg

DAILY COST	CUMULATIVE COST
$2,629.42	$44,571.62

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	22	Date :	25-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1845 to 1902		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Chris DANN/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	14	14	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION		
8.50	SEC-XS12DS				SET @	15	M	400	580	5.5 X 7	Inches	PRESSURE	1700	psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS		
SIZE 4.5	16.6 #	1662	Mtrs		SET @	507	M	980		GD PZ-7	97 %	UP	33	min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.		
SIZE 4.50	HW	56.1	Mtrs		LINER Set @		M	11		0.0514	214	TIME	93	min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211	
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331	331

MUD PROPERTIES				
SAMPLE FROM			Below Shaker	Below Shaker
TIME SAMPLE TAKEN			10:50	22:15
DEPTH (ft) - (m)		Metres	1,870	1,897
FLOWLINE TEMPERATURE	^{0}C	^{0}F	58.5 138	59.0 139
WEIGHT	ppg	SG	9.20 1.104	9.20 1.103
FUNNEL VISCOSITY (sec/qt) API @	59 ^{0}C		56	55
PLASTIC VISCOSITY cP @	60 ^{0}C		19	19
YIELD POINT (lb/100ft^2)			22	21
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			3 4	3 3
RHEOLOGY	θ 600	θ 300	60 41	59 40
RHEOLOGY	θ 200	θ 100	33 22	32 22
RHEOLOGY	θ 6	θ 3	4 3	4 2
FILTRATE API (cc's/30 min)			5.4	5.7
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --
SOLIDS CONTENT (% by Volume)			5.7	5.7
LIQUID CONTENT (% by Volume) OIL/WATER			0 94.3	0 94.3
SAND CONTENT (% by Vol.)			0.25	0.25
METHYLENE BLUE CAPACITY (ppb equiv.)			5.5	5.5
pH			10.5	10.0
ALKALINITY MUD (Pm)			0.55	0.43
ALKALINITY FILTRATE (Pf / Mf)			0.17 1.15	0.10 0.90
CHLORIDE (mg/L)			11,300	11,400
TOTAL HARDNESS AS CALCIUM (mg/L)			70	100
SULPHITE (mg/L)			200	150
K+ (mg/L)			8,900	8,900
KCl (% by Wt.)			1.7	1.7
PHPA (ppb)			2.18	2.19

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Recycle 80bbls fluid from local sump and treat to current specifications.
Run de-sander to keep density at 9.2ppg. Pre-mix weighted to 9.1ppg.

OPERATIONS SUMMARY

Drill to 1902m @ 24:00 hrs

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	4	INITIAL VOLUME	957
Premix (recirc from sump)	80	Desilter	3		
Drill Water	15	Downhole	3	+ FLUID RECEIVED	95
Direct Recirc Sump		Dumped	15	- FLUID LOST	61
Other (Recycled from M-1 RE)		Surface	35	FLUID in STORAGE	11
TOTAL RECEIVED	95	TOTAL LOST	61	FINAL VOLUME	991

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	4	Shaker #1 2x175, 1x140		24
Degasser	Po'Boy	0	Desilter	10	2	Shaker #2 2x175, 1x140		24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.2	9.6	0.75
Desilter	9.2	9.6	1.20

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	20		1	19	$ 188.33
AMC Defoamer	$ 146.40	23		2	21	$ 292.80
AMC PHPA	$ 120.61	37		4	33	$ 482.44
Calcium Carbonate -	$ 11.65	876		60	816	$ 699.00
Caustic Soda	$ 50.73	14		2	12	$ 101.46
Soda Ash	$ 18.30	24		2	22	$ 36.60
Sodium Sulphite	$ 37.68	29		2	27	$ 75.36
Xanthan Gum	$ 362.19	35		2	33	$ 724.38

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	5.7	53.6
Calcium Carbonate		27.3
Bentonite equiv.	0	0
Drilled Solids	5.7	51.5
Salt - based on Cl-	0.7	6.6
n @ 22:15 Hrs	0.56	
K @ 22:15 Hrs	6.21	

Bit Hydraulics & Pressure Data

Jet Velocity	333 ft/sec
Impact force	712 lbs
HHP	240
HHP/in^2	4.2
Bit Press. Loss	919 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.60 ppg

DAILY COST	CUMULATIVE COST
$2,600.37	$47,171.99

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	23	Date :	26-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1902 to 1977		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	14	14	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION		
8.50	SEC-XS12DS				SET @	15	M	416	603	5.5 X 7	Inches	PRESSURE	1750	psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS		
SIZE 4.5	16.6 #	1737	Mtrs		SET @	507	M	1019		GD PZ-7	97 %	UP	34	min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.		
SIZE 4.50	HW	56.1	Mtrs		LINER Set @		M	8		0.0514	214	TIME	96	min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211	
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331	331

MUD PROPERTIES					MUD PROPERTY SPECIFICATIONS					
SAMPLE FROM			Below Shaker	Below Shaker	Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
TIME SAMPLE TAKEN			10:00	22:15	Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
DEPTH (ft) - (m)		Metres	1,932	1,973	KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80
FLOWLINE TEMPERATURE	^{0}C	^{0}F	58.4 138	59.2 140						
WEIGHT	ppg	SG	9.25 1.110	9.30 1.115						
FUNNEL VISCOSITY (sec/qt) API @	59 ^{0}C		55	56						
PLASTIC VISCOSITY cP @	60 ^{0}C		19	20						
YIELD POINT (lb/100ft^2)			23	22						
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			3 4	4 5						
RHEOLOGY	θ 600	θ 300	61 42	62 42						
RHEOLOGY	θ 200	θ 100	34 23	35 24						
RHEOLOGY	θ 6	θ 3	5 3	5 4						
FILTRATE API (cc's/30 min)			5.8	5.6						
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F		--	--						
CAKE THICKNESS API : HPHT (32nd in)			1 --	1 --						
SOLIDS CONTENT (% by Volume)			6.0	6.4						
LIQUID CONTENT (% by Volume) OIL/WATER			0 94.0	0 93.6						
SAND CONTENT (% by Vol.)			0.25	0.25						
METHYLENE BLUE CAPACITY (ppb equiv.)			5.5	5.0						
pH			10.3	9.8						
ALKALINITY MUD (Pm)			0.52	0.39						
ALKALINITY FILTRATE (Pf / Mf)			0.10 1.00	0.08 0.85						
CHLORIDE (mg/L)			11,200	11,000						
TOTAL HARDNESS AS CALCIUM (mg/L)			80	80						
SULPHITE (mg/L)			250	100						
K+ (mg/L)			8,900	8,900						
KCl (% by Wt.)			1.7	1.7						
PHPA (ppb)			2.11	2.10						

OBSERVATIONS

Recycle 100bbls fluid from local sump and treat to current specifications. Running de-sander and de-silter to maintain fluid density at or below 9.3ppg.

Transfer an estimated 1600 bbls fluid (exact amount to be confirmed) from local sump to location M-1, to prevent overflowing of sump in case of heavy rains.

OPERATIONS SUMMARY

Drill to 1927m, DS @ 1912m - 3¾°N84E
Drill to 1977m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	11	INITIAL VOLUME	991
Premix (recirc from sump)	100	Desilter	10		
Drill Water	20	Downhole	3	+ FLUID RECEIVED	120
Direct Recirc Sump		Dumped	15	- FLUID LOST	84
Other (Recycled from M-1 RE)		Surface	45	FLUID in STORAGE	8
TOTAL RECEIVED	120	TOTAL LOST	84	FINAL VOLUME	1,027

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	9	Shaker #1 2x175, 1x140		24
Degasser	Po'Boy	0	Desilter	10	9	Shaker #2 2x175, 1x140		24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.3	9.6	0.88
Desilter	9.3	10.0	0.79

Product	Price	Start	Received	Used	Close	Cost
AMC PHPA	$ 120.61	33		4	29	$ 482.44
Calcium Carbonate -	$ 11.65	816		144	672	$ 1,677.60
Caustic Soda	$ 50.73	12		1	11	$ 50.73
Sodium Sulphite	$ 37.68	27		2	25	$ 75.36
Xanthan Gum	$ 362.19	33		3	30	$ 1,086.57

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	6.4	60.3
Calcium Carbonate		31.8
Bentonite equiv.	0	0
Drilled Solids	6.4	58.0
Salt - based on Cl-	0.7	6.4
n @ 22:15 Hrs	0.56	
K @ 22:15 Hrs	6.47	

Bit Hydraulics & Pressure Data

Jet Velocity	333 ft/sec
Impact force	720 lbs
HHP	243
HHP/in^2	4.3
Bit Press. Loss	929 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.72 ppg

DAILY COST	CUMULATIVE COST
$3,372.70	$50,544.69

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	24	Date :	27-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	1977 to 2018		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD: PEP 162 / EL 4567	LOCATION: GIPPSLAND / STATE: VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	14	14	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-XS12DS				SET @	15	M	477	485	5.5 X 7	Inches	PRESSURE	1700 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1778 Mtrs			SET @	507	M	962		GD PZ-7	97 %	UP	45 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	36		0.0514	214	TIME	93 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

		MUD PROPERTIES	
SAMPLE FROM		Below Shaker	Below Shaker
TIME SAMPLE TAKEN		10:00	14:00
DEPTH (ft) - (m)	Metres	2,008	2,018
FLOWLINE TEMPERATURE	^{0}C / ^{0}F	58.5 / 138	59.1 / 139
WEIGHT	ppg / SG	9.30 / 1.116	9.25 / 1.109
FUNNEL VISCOSITY (sec/qt) API @	59 ^{0}C	57	55
PLASTIC VISCOSITY cP @	60 ^{0}C	19	19
YIELD POINT (lb/100ft^2)		24	23
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		4 5	4 5
RHEOLOGY	θ 600 / θ 300	62 / 43	61 / 42
RHEOLOGY	θ 200 / θ 100	35 / 24	34 / 23
RHEOLOGY	θ 6 / θ 3	5 / 4	5 / 3
FILTRATE API (cc's/30 min)		5.6	5.6
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)		1 / --	1 / --
SOLIDS CONTENT (% by Volume)		6.4	6.0
LIQUID CONTENT (% by Volume) OIL/WATER		0 / 93.6	0 / 94.0
SAND CONTENT (% by Vol.)		0.25	0.25
METHYLENE BLUE CAPACITY (ppb equiv.)		5.0	5.0
pH		9.5	10.5
ALKALINITY MUD (Pm)		0.34	0.60
ALKALINITY FILTRATE (Pf / Mf)		0.05 / 0.95	0.18 / 1.20
CHLORIDE (mg/L)		10,700	10,500
TOTAL HARDNESS AS CALCIUM (mg/L)		180	140
SULPHITE (mg/L)		80	80
K+ (mg/L)		8,900	8,900
KCl (% by Wt.)		1.7	1.7
PHPA (ppb)		2.16	2.11

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Recycling fluid from local sump not successful (high solids content).
Make up Polymer pre-mix with lease water.
Running de-sander and de-silter to maintain fluid density below 9.3ppg.
Tank levels recorded prior to running back in the hole.

Yesterday's waste-water transfer to sump @ M-1 site confirmed as 268m³ or 1685bbls.

OPERATIONS SUMMARY

Drill to 2018m, bit showing signs of excess torque, CO, drop DS pump heavy pill+POOH to SFC for bit change.
M/U prev used bit, DBS SE3653Z, 6x11 (TFA 0.555 in²), SN 1082 5011, BHA otherwise unchanged, RIH to 241m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)	45	Desander	18	INITIAL VOLUME	1027
Premix (recirc from sump)		Desilter	16		
Drill Water		Downhole	2	+ FLUID RECEIVED	45
Direct Recirc Sump		Dumped	10	- FLUID LOST	74
Other (Recycled from M-1 RE)		Surface	28	FLUID in STORAGE	36
TOTAL RECEIVED	45	TOTAL LOST	74	FINAL VOLUME	998

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	14	Shaker #1 2x175, 1x140		15
Degasser	Po'Boy		Desilter	10	14	Shaker #2 2x175, 1x140		15

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.2	9.6	0.92
Desilter	9.2	10.5	0.79

Product	Price	Start	Received	Used	Close	Cost
AMC Defoamer	$ 146.40	21		1	20	$ 146.40
AMC PHPA	$ 120.61	29		2	27	$ 241.22
Calcium Carbonate -	$ 11.65	672		30	642	$ 349.50
Caustic Soda	$ 50.73	11		1	10	$ 50.73
Sodium Sulphite	$ 37.68	25		2	23	$ 75.36
Xanthan Gum	$ 362.19	30		1	29	$ 362.19

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	6.0	56.9
Calcium Carbonate		32.0
Bentonite equiv.	0	0
Drilled Solids	6.0	54.7
Salt - based on Cl-	0.6	6.1
n @ 14:00 Hrs	0.54	
K @ 14:00 Hrs	7.49	

Bit Hydraulics & Pressure Data

Jet Velocity	333 ft/sec
Impact force	716 lbs
HHP	242
HHP/in²	4.3
Bit Press. Loss	924 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.68 ppg

DAILY COST	CUMULATIVE COST
$1,225.40	$51,770.09

RMN ENGINEER: Peter ARONETZ — CITY: Adelaide Office — TELEPHONE: 08 8338 7266

DRILLING FLUID REPORT

Report #	25	Date :	28-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2018 to 2062		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION	PEP 162 / EL 4567 GIPPSLAND
STATE	VICTORIA		

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	11	11	11	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	DBS SE3653Z	11	11	11	SET @	15	M	434	573	5.5 X 7	Inches	PRESSURE	2300 psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 1822 Mtrs			9 5/8 INTERMEDIATE SET @	1662 / 507	ft / M	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS UP	54 min
								1007		GD PZ-7	97 %		
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs			PRODUCTION/ LINER Set @		ft / M	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC. TIME	145 min
								9		0.0514	140		
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	138
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					6.98	293	(ft/min) DCs	217 217

MUD PROPERTIES				
SAMPLE FROM			Below Shaker	Below Shaker
TIME SAMPLE TAKEN			10:20	22:15
DEPTH (ft) - (m)		Metres	2,022	2,058
FLOWLINE TEMPERATURE		^{0}C / ^{0}F	49.5 / 122	54.3 / 131
WEIGHT		ppg / SG	9.30 / 1.116	9.30 / 1.115
FUNNEL VISCOSITY (sec/qt) API @		54 ^{0}C	60	58
PLASTIC VISCOSITY cP @		60 ^{0}C	18	19
YIELD POINT (lb/100ft^2)			25	26
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min			4 / 5	4 / 6
RHEOLOGY	θ 600	θ 300	61 / 43	64 / 45
RHEOLOGY	θ 200	θ 100	35 / 25	38 / 27
RHEOLOGY	θ 6	θ 3	5 / 4	6 / 4
FILTRATE API (cc's/30 min)			5.6	5.8
HPHT FILTRATE (cc's/30 min) @		-- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)			1 / --	1 / --
SOLIDS CONTENT (% by Volume)			6.4	6.4
LIQUID CONTENT (% by Volume) OIL/WATER			0 / 93.6	0 / 93.6
SAND CONTENT (% by Vol.)			0.20	0.25
METHYLENE BLUE CAPACITY (ppb equiv.)			4.5	5.0
pH			9.5	10.0
ALKALINITY MUD (Pm)			0.35	0.44
ALKALINITY FILTRATE (Pf / Mf)			0.05 / 0.88	0.12 / 1.22
CHLORIDE (mg/L)			10,000	10,000
TOTAL HARDNESS AS CALCIUM (mg/L)			160	100
SULPHITE (mg/L)			120	250
K+ (mg/L)			8,400	7,900
KCl (% by Wt.)			1.6	1.5
PHPA (ppb)			2.09	2.08

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Make up Polymer pre-mix with lease water, fluid from sump too contaminated with solids, weighing 9.2-9.4ppg.
Continue running de-sander + de-silter to maintain fluid density at or below 9.3ppg.

OPERATIONS SUMMARY

RIH to 488m, slip 33ft drlg.line. RIH, break circulation @ 1000+1500m
Stick pipe @ 1598+1607m, P/U kelley, work string+jar free, ream+wash through obstruction, continue RIH to BTM, find no fill
Resume drilling with slow ROP and possible plugged jets.
SPP much higher than anticipated, reduce pump rate to 300GPM.
Drill to 2062m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)	120	Desander	24	INITIAL VOLUME	998
Premix (recirc from sump)		Desilter	20		
Drill Water		Downhole	3	+ FLUID RECEIVED	120
Direct Recirc Sump		Dumped	20	- FLUID LOST	102
Other (Recycled from M-1 RE)		Surface	35	FLUID in STORAGE	9
TOTAL RECEIVED	120	TOTAL LOST	102	FINAL VOLUME	1,016

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	18	Shaker #1	2x175, 1x140	24
Degasser	Po'Boy	0	Desilter	10	18	Shaker #2	2x175, 1x140	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.3	9.5	0.92
Desilter	9.3	10.6	0.79

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	19		2	17	$ 376.66
AMC Defoamer	$ 146.40	20		1	19	$ 146.40
AMC PHPA	$ 120.61	27		4	23	$ 482.44
Caustic Soda	$ 50.73	10		1	9	$ 50.73
Lime	$ 9.35	11		1	10	$ 9.35
Sodium Sulphite	$ 37.68	23		4	19	$ 150.72
Xanthan Gum	$ 362.19	29		3	26	$ 1,086.57

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	6.4	60.8
Calcium Carbonate		28.4
Bentonite equiv.	0	0
Drilled Solids	6.4	58.4
Salt - based on Cl-	0.6	5.8
n @ 22:15 Hrs	0.51	
K @ 22:15 Hrs	9.69	

Bit Hydraulics & Pressure Data

Jet Velocity	169 ft/sec
Impact force	238 lbs
HHP	41
HHP/in^2	0.7
Bit Press. Loss	238 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.69 ppg

DAILY COST	CUMULATIVE COST
$2,302.87	$54,072.96

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

Report #	26	Date :	29-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2062 to 2065		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION / STATE	PEP 162 / EL 4567 / GIPPSLAND / VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE		13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE			CIRCULATION
8.50	SEC-XS16DS					SET @	15	M	434	566	5.5 X 7	Inches		PRESSURE psi
DRILL PIPE	TYPE	Length				9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL		ASSUMED EFF	BOTTOMS
SIZE 4.5	16.6 #	1825	Mtrs			SET @	507	M	1000		GD PZ-7		97 %	UP min
DRILL PIPE	TYPE	Length				PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%		STK / MIN	TOTAL CIRC.
SIZE 4.50	HW	56.1	Mtrs			LINER Set @		M	8		0.0514			TIME min
D/Collars	Tools	Length				MUD TYPE					BBL/MIN		GAL / MIN	ANN VEL. DP
6.25	6.25	162.6	21.8	Mtrs		KCl/PHPA/POLYMER								(ft/min) DCs

MUD PROPERTIES			
SAMPLE FROM		Below Shaker	
TIME SAMPLE TAKEN		06:15	
DEPTH (ft) - (m)	Metres	2,065	
FLOWLINE TEMPERATURE	^{0}C / ^{0}F	55.6	133
WEIGHT	ppg / SG	9.25	1.109
FUNNEL VISCOSITY (sec/qt) API @	56 ^{0}C	55	
PLASTIC VISCOSITY cP @	60 ^{0}C	19	
YIELD POINT (lb/100ft^2)		23	
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		3	4
RHEOLOGY	θ 600 / θ 300	61	42
RHEOLOGY	θ 200 / θ 100	34	23
RHEOLOGY	θ 6 / θ 3	5	3
FILTRATE API (cc's/30 min)		5.8	
HPHT FILTRATE (cc's/30 min) @	-- ^{0}F	--	
CAKE THICKNESS API : HPHT (32nd in)	--	1	--
SOLIDS CONTENT (% by Volume)		6.0	
LIQUID CONTENT (% by Volume) OIL/WATER		0	94.0
SAND CONTENT (% by Vol.)		0.25	
METHYLENE BLUE CAPACITY (ppb equiv.)		5.0	
pH		9.5	
ALKALINITY MUD (Pm)		0.32	
ALKALINITY FILTRATE (Pf / Mf)		0.05	0.80
CHLORIDE (mg/L)		9,800	
TOTAL HARDNESS AS CALCIUM (mg/L)		140	
SULPHITE (mg/L)		200	
K+ (mg/L)		8,400	
KCl (% by Wt.)		1.6	
PHPA (ppb)		2.00	

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Start small water addition at flow-line to assist with density control.
Prepare heavy pill, using calcium Carbonate.
Mud tank levels recorded with bit back on bottom after trip for NB7

OPERATIONS SUMMARY

Drill to 2065m, ROP less than satisfactory, decision to pull bit. Mix+pump heavy CaCO3 pill, Drop DS barrel, POH, Hole tight fm 1775>1756m. Recover bit in good condition, but with 4 plugged jets Recover DS, but disc double exposed, reading inconclusive. Conduct BOP tests. Pick up NB 7, DBS-SEC insert bit, type EBXS16DS SN 1085 1000, 3x13 jets. RIH on unchanged BHA to 1651m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	8	INITIAL VOLUME	1016
Premix (recirc from sump)		Desilter	7		
Drill Water	25	Downhole	3	+ FLUID RECEIVED	25
Direct Recirc Sump		Dumped	5	- FLUID LOST	32
Other (Recycled from M-1 RE)		Surface	10	FLUID in STORAGE	8
TOTAL RECEIVED	25	TOTAL LOST	32	FINAL VOLUME	1,008

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	6	Shaker #1 2x175, 1x140		18
Degasser	Po'Boy	0	Desilter	10	6	Shaker #2 2x175, 1x140		18

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.2	9.6	0.88
Desilter	9.2	10.4	0.83

Product	Price	Start	Received	Used	Close	Cost
Calcium Carbonate - 4	$ 11.65	642		66	576	$ 768.90
Potassium Chloride (	$ 20.12	216		18	198	$ 362.16
Soda Ash	$ 18.30	22		1	21	$ 18.30
Sodium Sulphite	$ 37.68	19		1	18	$ 37.68

Solids Analysis	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	6.0	57.1
Calcium Carbonate		30.9
Bentonite equiv.	0	0
Drilled Solids	6.0	54.9
Salt - based on Cl-	0.6	5.7
n @ 06:15 Hrs	0.54	
K @ 06:15 Hrs	7.49	

Bit Hydraulics & Pressure Data	
Jet Velocity	
Impact force	
HHP	
HHP/in^2	
Bit Press. Loss	
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	

DAILY COST	CUMULATIVE COST
$1,187.04	$55,260.00

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

RMN drilling fluids

Report #	27	Date :	30-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2065 to 2110		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO

WELL NAME AND No	FIELD	LOCATION	STATE
MEGASCOLIDES 2	PEP 162 / EL 4567	GIPPSLAND	VICTORIA

DRILLING ASSEMBLY		JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA			
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION	
8.50	SEC-XS16DS				SET @	15	M	444	557	5.5 X 7	Inches	PRESSURE	2200 psi
DRILL PIPE	TYPE	Length			9 5/8 INTERMEDIATE	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS	
SIZE 4.5	16.6 #	1870 Mtrs			SET @	507	M	1001		GD PZ-7	97 %	UP	37 min
DRILL PIPE	TYPE	Length			PRODUCTION/		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC.	
SIZE 4.50	HW	56.1 Mtrs			LINER Set @		M	48		0.0514	214	TIME	98 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES		
SAMPLE FROM	Below Shaker	Below Shaker
TIME SAMPLE TAKEN	10:15	22:15
DEPTH (ft) - (m) Metres	2,077	2,105
FLOWLINE TEMPERATURE ^{0}C ^{0}F	57.4 136	59.8 141
WEIGHT ppg SG	9.35 1.122	9.45 1.133
FUNNEL VISCOSITY (sec/qt) API @ 60 ^{0}C	60	58
PLASTIC VISCOSITY cP @ 60 ^{0}C	18	18
YIELD POINT (lb/100ft^2)	29	28
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min	6 8	4 7
RHEOLOGY θ 600 θ 300	65 47	64 46
RHEOLOGY θ 200 θ 100	39 28	39 28
RHEOLOGY θ 6 θ 3	7 5	6 5
FILTRATE API (cc's/30 min)	5.5	5.6
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F	--	--
CAKE THICKNESS API : HPHT (32nd in)	1 --	1 --
SOLIDS CONTENT (% by Volume)	6.8	7.5
LIQUID CONTENT (% by Volume) OIL/WATER	0 93.2	0 92.5
SAND CONTENT (% by Vol.)	0.20	0.20
METHYLENE BLUE CAPACITY (ppb equiv.)	5.0	5.0
pH	10.5	10.0
ALKALINITY MUD (Pm)	0.55	0.44
ALKALINITY FILTRATE (Pf / Mf)	0.18 1.40	0.14 1.35
CHLORIDE (mg/L)	9,500	10,700
TOTAL HARDNESS AS CALCIUM (mg/L)	60	100
SULPHITE (mg/L)	100	80
K+ (mg/L)	7,400	7,900
KCl (% by Wt.)	1.4	1.5
PHPA (ppb)	2.02	2.04

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Hole conditions require increase in fluid density, go up to 9.4ppg, using Calcium Carbonate. Hole stabilises. Maintain SFC volume w/- polymer premix, using drill water and 30bbls of fluid re-claimed from sump

OPERATIONS SUMMARY

RIH to 2049m, ream+wash to 2065m, resume drilling. By 2077m hole getting sticky and tight. Work tight hole, raise MW to 9.4ppg. Resume drilling, drill to 2110m @ 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)	50	Desander	13	INITIAL VOLUME	1008
Premix (recirc from sump)	30	Desilter	6		
Drill Water	10	Downhole	2	+ FLUID RECEIVED	90
Direct Recirc Sump		Dumped	10	- FLUID LOST	49
Other (Recycled from M-1 RE)		Surface	18	FLUID in STORAGE	48
TOTAL RECEIVED	90	TOTAL LOST	49	FINAL VOLUME	1,049

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	10	Shaker #1	2x175, 1x14	24
Degasser	Po'Boy	0	Desilter	10	4	Shaker #2	2x175, 1x14	24

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.4	9.7	0.92
Desilter	9.3	10.6	1.12

Product	Price	Start	Received	Used	Close	Cost
AMC Biocide G	$ 188.33	17		2	15	$ 376.66
AMC Defoamer	$ 146.40	19		1	18	$ 146.40
AMC PAC-R	$ 162.49	55		2	53	$ 324.98
AMC PHPA	$ 120.61	23		3	20	$ 361.83
Calcium Carbonate -	$ 11.65	576		192	384	$ 2,236.80
Caustic Soda	$ 50.73	9		1	8	$ 50.73
Soda Ash	$ 18.30	21		2	19	$ 36.60
Sodium Sulphite	$ 37.68	18		4	14	$ 150.72
Xanthan Gum	$ 362.19	26		1	25	$ 362.19

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	7.5	70.9
Calcium Carbonate		38.2
Bentonite equiv.	0	0
Drilled Solids	7.5	68.1
Salt - based on Cl-	0.6	6.2
n @ 22:15 Hrs	0.48	
K @ 22:15 Hrs	12.07	

Bit Hydraulics & Pressure Data

Jet Velocity	369 ft/sec
Impact force	810 lbs
HHP	302
HHP/in^2	5.3
Bit Press. Loss	1156 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	9.97 ppg

DAILY COST	CUMULATIVE COST
$4,046.91	$59,306.91

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	28	Date :	31-Jan-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2110 to 2130		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION / STATE	PEP 162 / EL 4567 / GIPPSLAND / VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE	TYPE	13	13	13	16 CONDUCTOR SET @	49	ft	HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION PRESSURE	
8.50	SEC-XS16DS					15	M	502	458	5.5 X 7	Inches		2200 psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 1890 Mtrs			9 5/8 INTERMEDIATE SET @	1662	ft	TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS UP	
						507	M	960		GD PZ-7	97 %		47 min
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs			PRODUCTION/ LINER Set @		ft	IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC. TIME	
							M	38		0.0514	214		94 min
D/Collars	Tools	Length			MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP	211
6.25	6.25	162.6	21.8	Mtrs	KCl/PHPA/POLYMER					10.67	448	(ft/min) DCs	331 331

MUD PROPERTIES	W/Trip	Below Shaker
SAMPLE FROM		
TIME SAMPLE TAKEN		15:40
DEPTH (ft) - (m) Metres		2,130
FLOWLINE TEMPERATURE ^{0}C / ^{0}F		59.2 / 140
WEIGHT ppg / SG		9.45 / 1.133
FUNNEL VISCOSITY (sec/qt) API @ 59 ^{0}C		63
PLASTIC VISCOSITY cP @ 60 ^{0}C		19
YIELD POINT (lb/100ft^2)		31
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		6 / 10
RHEOLOGY θ 600 / θ 300		69 / 50
RHEOLOGY θ 200 / θ 100		41 / 30
RHEOLOGY θ 6 / θ 3		7 / 5
FILTRATE API (cc's/30 min)		5.6
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--
CAKE THICKNESS API : HPHT (32nd in)	--	1 / --
SOLIDS CONTENT (% by Volume)		7.4
LIQUID CONTENT (% by Volume) OIL/WATER		0 / 92.6
SAND CONTENT (% by Vol.)		0.20
METHYLENE BLUE CAPACITY (ppb equiv.)		5.0
pH		9.8
ALKALINITY MUD (Pm)		0.55
ALKALINITY FILTRATE (Pf / Mf)		0.16 / 1.50
CHLORIDE (mg/L)		11,500
TOTAL HARDNESS AS CALCIUM (mg/L)		120
SULPHITE (mg/L)		250
K+ (mg/L)		9,500
KCl (% by Wt.)		1.8
PHPA (ppb)		2.15

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Maximum flow-line temperature recorded before wiper trip: 63°C.
Prepare sweep with 0.5ppb EXTRA-SWEEP and use CaCO3 for heavy pill.

OPERATIONS SUMMARY

Drill to 2130m, well pronounced to be @ TD at this depth. CO, mix+pump heavy pill, make wiper trip to 1228m. Over-pull first 5 stands to 2140m, hole then clear. Run back into hole to 2129m, tag 1m fill. Wash to bottom, mix+pump 25bbls EXTRA-SWEEP. Circulate out and confirm hole clean. Mix+pump heavy pill, POH for E-logs, no drag or over-pull.
Rig up PRECISION, commence logging.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander	2	INITIAL VOLUME	1049
Premix (recirc from sump)		Desilter			
Drill Water		Downhole	3	+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	10	- FLUID LOST	50
Other (Recycled from M-1 RE)		Surface	35	FLUID in STORAGE	38
TOTAL RECEIVED		TOTAL LOST	50	FINAL VOLUME	998

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	2	Shaker #1 2x175, 1x14		16
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2 2x175, 1x14		16

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander	9.4	9.7	0.85
Desilter		0	0

Product	Price	Start	Received	Used	Close	Cost
AMC PHPA	$ 120.61	20		2	18	$ 241.22
Calcium Carbonate - (	$ 11.65	384		30	354	$ 349.50
Caustic Soda	$ 50.73	8		1	7	$ 50.73
Soda Ash	$ 18.30	19		3	16	$ 54.90
Sodium Sulphite	$ 37.68	14		2	12	$ 75.36
XTRA - Sweep	$ 112.40	8		1	7	$ 112.40

Solids Analysis	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	7.4	70.1
Calcium Carbonate		39.8
Bentonite equiv.	0	0
Drilled Solids	7.4	67.3
Salt - based on Cl-	0.7	6.7
n @ 15:40 Hrs	0.46	
K @ 15:40 Hrs	14.12	

Bit Hydraulics & Pressure Data	
Jet Velocity	369 ft/sec
Impact force	810 lbs
HHP	302
HHP/in²	5.3
Bit Press. Loss	1156 psi
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	10.02 ppg

DAILY COST	CUMULATIVE COST
$884.11	$60,191.02

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	29	Date :	1-Feb-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2130 to 2130		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION / STATE	PEP 162 / EL 4567 / GIPPSLAND / VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE	TYPE					16 CONDUCTOR SET @	49 ft / 15 M		HOLE	ACTIVE PITS	PUMP SIZE		CIRCULATION PRESSURE
8.50									502	448	5.5 X 7 Inches		psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 1890 Mtrs				9 5/8 INTERMEDIATE SET @	1662 ft / 507 M		TOTAL CIRCULATING VOL.		PUMP MODEL	ASSUMED EFF	BOTTOMS UP
									950		GD PZ-7	97 %	min
DRILL PIPE SIZE 4.50	TYPE HW	Length 56.1 Mtrs				PRODUCTION/ LINER Set @	ft / M		IN STORAGE		BBL/STK@ 100%	STK / MIN	TOTAL CIRC. TIME
									43		0.0514		min
D/Collars	Tools	Length				MUD TYPE					BBL/MIN	GAL / MIN	ANN VEL. DP (ft/min) DCs
6.25	6.25	162.6	21.8	Mtrs		KCl/PHPA/POLYMER							

MUD PROPERTIES	E-logs	P/Suction
SAMPLE FROM		
TIME SAMPLE TAKEN		22:00
DEPTH (ft) - (m) Metres		2,130
FLOWLINE TEMPERATURE ^{0}C / ^{0}F		-- / --
WEIGHT ppg / SG		9.45 / 1.133
FUNNEL VISCOSITY (sec/qt) API @ -- ^{0}C		63
PLASTIC VISCOSITY cP @ 60 ^{0}C		19
YIELD POINT (lb/100ft^2)		31
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		6 / 10
RHEOLOGY θ 600 / θ 300		69 / 50
RHEOLOGY θ 200 / θ 100		41 / 30
RHEOLOGY θ 6 / θ 3		7 / 5
FILTRATE API (cc's/30 min)		5.6
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--
CAKE THICKNESS API : HPHT (32nd in)	--	1 / --
SOLIDS CONTENT (% by Volume)		7.4
LIQUID CONTENT (% by Volume) OIL/WATER		0 / 92.6
SAND CONTENT (% by Vol.)		0.20
METHYLENE BLUE CAPACITY (ppb equiv.)		5.0
pH		9.8
ALKALINITY MUD (Pm)		0.55
ALKALINITY FILTRATE (Pf / Mf)		0.16 / 1.50
CHLORIDE (mg/L)		11,500
TOTAL HARDNESS AS CALCIUM (mg/L)		120
SULPHITE (mg/L)		250
K+ (mg/L)		9,500
KCl (% by Wt.)		1.8
PHPA (ppb)		2.15

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

No treatment or circulation last 24 hours.
Hole does not appear to have taken any fluid.

OPERATIONS SUMMARY

Coduct E-logs, # 1: Super Combo, # 2: HiRes, # 3: Velocity Survey.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	998
Premix (recirc from sump)		Desilter			
Drill Water		Downhole		+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	5	- FLUID LOST	5
Other (Recycled from M-1 RE)		Surface		FLUID in STORAGE	43
TOTAL RECEIVED		TOTAL LOST	5	FINAL VOLUME	993

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1 2x175, 1x14		0
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2 2x175, 1x14		0

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost

Solids Analysis	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	7.4	70.1
Calcium Carbonate		39.8
Bentonite equiv.	0	0
Drilled Solids	7.4	67.3
Salt - based on Cl-	0.7	6.7
n @ 22:00 Hrs	0.46	
K @ 22:00 Hrs	14.12	

Bit Hydraulics & Pressure Data	
Jet Velocity	
Impact force	
HHP	
HHP/in²	
Bit Press. Loss	
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	

DAILY COST	CUMULATIVE COST
	$60,191.02

RMN ENGINEER Peter ARONETZ CITY Adelaide Office TELEPHONE 08 8338 7266

DRILLING FLUID REPORT

Report #	30	Date :	2-Feb-2007
Rig No	11	Spud :	4-Jan-2007
Depth	2130 to 437		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION / STATE	PEP 162 / EL 4567 / GIPPSLAND / VICTORIA

DRILLING ASSEMBLY			JET SIZE			CASING			MUD VOLUME (BBL)		CIRCULATION DATA		
BIT SIZE 8.50	TYPE					16 CONDUCTOR SET @	49 ft / 15 M		HOLE 112	ACTIVE PITS 538	PUMP SIZE 5.5 X 7 Inches		CIRCULATION PRESSURE psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length 160 Mtrs				9 5/8 INTERMEDIATE SET @	1662 ft / 507 M		TOTAL CIRCULATING VOL. 650		PUMP MODEL GD PZ-7	ASSUMED EFF 97 %	BOTTOMS UP min
DRILL PIPE SIZE 4.50	TYPE HW	Length Mtrs				PRODUCTION/ LINER Set @	ft / M		IN STORAGE 43		BBL/STK@ 100% 0.0514	STK / MIN	TOTAL CIRC. TIME min
D/Collars 6.25	Tools 6.25	Length Mtrs				MUD TYPE KCl/PHPA/POLYMER					BBL/MIN	GAL / MIN	ANN VEL. DP (ft/min) DCs

	MUD PROPERTIES		
SAMPLE FROM		P/Suction	
TIME SAMPLE TAKEN		18:00	
DEPTH (ft) - (m) Metres		2,130	
FLOWLINE TEMPERATURE ^{0}C ^{0}F		--	--
WEIGHT ppg SG		9.45	1.133
FUNNEL VISCOSITY (sec/qt) API @ -- ^{0}C		63	
PLASTIC VISCOSITY cP @ 60 ^{0}C		19	
YIELD POINT (lb/100ft^2)		31	
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min		6	10
RHEOLOGY θ 600 θ 300		69	50
RHEOLOGY θ 200 θ 100		41	30
RHEOLOGY θ 6 θ 3		7	5
FILTRATE API (cc's/30 min)		5.6	
HPHT FILTRATE (cc's/30 min) @ -- ^{0}F		--	
CAKE THICKNESS API : HPHT (32nd in)	--	1	--
SOLIDS CONTENT (% by Volume)		7.4	
LIQUID CONTENT (% by Volume) OIL/WATER		0	92.6
SAND CONTENT (% by Vol.)		0.20	
METHYLENE BLUE CAPACITY (ppb equiv.)		5.0	
pH		9.8	
ALKALINITY MUD (Pm)		0.55	
ALKALINITY FILTRATE (Pf / Mf)		0.16	1.50
CHLORIDE (mg/L)		11,500	
TOTAL HARDNESS AS CALCIUM (mg/L)		120	
SULPHITE (mg/L)		250	
K+ (mg/L)		9,500	
KCl (% by Wt.)		1.8	
PHPA (ppb)		1.85	

MUD PROPERTY SPECIFICATIONS

Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

Sx of material listed as used today are damaged write-offs, with exception of the XANTHAN Gum (used for HiVis pills)
Recount of all mud chemical inventory located an 4 extra sx of PAC-R, one of which is damaged and not returnable.
3sx were credited and entered as a negative usage.
371bbls 'Downhole losses': Fluid left in hole below cement plugs,
71bbls 'Other' addition: Volume of cement plugs
43bbls mud in Storage includes 18bbls HiVis pill for CMT plug # 3

OPERATIONS SUMMARY

Lay down BHA, M/U CMT stinger (10 x 3½" TBG, 95m), RIH to 986m
Mix 45bbls HiVis pill, spot 15bbls on bottom. Pull back to 925m.
Set plug # 1 (33.6bbls, 15.8ppg); pull back to 725m, Circulate.
Pull back to 610m, spot 15bbls HiVis pill, pull back to 550m.
Set plug # 2 (37bbls, 15.8ppg); pull back to 350m, Circulate.
While WOC, lay down excess DP. RIH and tag plug # 2 at 437m,
test w/- 20,000lbs. POH and lay down excess DP. Stinger at 160m RKB
at 24:00 hrs.

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	993
Premix (recirc from sump)		Desilter			
Drill Water		Downhole	371	+ FLUID RECEIVED	71
Direct Recirc Sump		Dumped		- FLUID LOST	371
Other (Recycled from M-1 RE)	71	Surface		FLUID in STORAGE	43
TOTAL RECEIVED	71	TOTAL LOST	371	FINAL VOLUME	693

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1 2x175, 1x14		2
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2 2x175, 1x14		2

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost
Baryte	$ 9.95	456		10	446	$ 99.50
Citric Acid	$ 73.25	38		1	37	$ 73.25
KWIKSEAL - C	$ 58.63	32		2	30	$ 117.26
Xanthan Gum	$ 362.19	25		1	24	$ 362.19

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS	7.4	70.1
Calcium Carbonate		34.3
Bentonite equiv.	0	0
Drilled Solids	7.4	67.3
Salt - based on Cl-	0.7	6.7
n @ 18:00 Hrs	0.46	
K @ 18:00 Hrs	14.12	

Bit Hydraulics & Pressure Data

Jet Velocity	
Impact force	
HHP	
HHP/in²	
Bit Press. Loss	
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	

DAILY COST	CUMULATIVE COST
$164.73	$60,355.75

RMN ENGINEER	Peter ARONETZ	CITY	Adelaide Office	TELEPHONE	08 8338 7266

DRILLING FLUID REPORT

Report #	31	Date :	3-Feb-2007
Rig No	11	Spud :	4-Jan-2007
Depth	437 to 0		Metres

OPERATOR	KAROON Gas / UPSTREAM Petroleum	CONTRACTOR	CENTURY Resources
REPORT FOR	Bruce PILAT/Brian ASSELS	REPORT FOR	Cesar MIACO
WELL NAME AND No	MEGASCOLIDES 2	FIELD / LOCATION / STATE	PEP 162 / EL 4567 / GIPPSLAND / VICTORIA

DRILLING ASSEMBLY		JET SIZE	CASING	MUD VOLUME (BBL)	CIRCULATION DATA
BIT SIZE 8.50	TYPE		16 CONDUCTOR SET @ 49 ft / 15 M	HOLE / ACTIVE PITS	PUMP SIZE 5.5 X 7 Inches; CIRCULATION PRESSURE psi
DRILL PIPE SIZE 4.5	TYPE 16.6 #	Length Mtrs	9 5/8 INTERMEDIATE SET @ 1662 ft / 507 M	TOTAL CIRCULATING VOL.	PUMP MODEL GD PZ-7; ASSUMED EFF 97 %; BOTTOMS UP min
DRILL PIPE SIZE 4.50	TYPE HW	Length Mtrs	PRODUCTION/ LINER Set @ ft / M	IN STORAGE	BBL/STK@ 100% 0.0514; STK / MIN; TOTAL CIRC. TIME min
D/Collars 6.25	Tools 6.25	Length Mtrs	MUD TYPE KCl/PHPA/POLYMER		BBL/MIN; GAL / MIN; ANN VEL. (ft/min) DP DCs

	MUD PROPERTIES			
SAMPLE FROM				
TIME SAMPLE TAKEN				
DEPTH (ft) - (m)	Metres			
FLOWLINE TEMPERATURE	^{0}C	^{0}F		
WEIGHT	ppg	SG		
FUNNEL VISCOSITY (sec/qt) API @	^{0}C			
PLASTIC VISCOSITY cP @	^{0}C			
YIELD POINT (lb/100ft^2)				
GEL STRENGTHS (lb/100ft^2) 10 sec/10 min				
RHEOLOGY	θ 600	θ 300		
RHEOLOGY	θ 200	θ 100		
RHEOLOGY	θ 6	θ 3		
FILTRATE API (cc's/30 min)				
HPHT FILTRATE (cc's/30 min) @	^{0}F			
CAKE THICKNESS API : HPHT (32nd in)	--		--	
SOLIDS CONTENT (% by Volume)				
LIQUID CONTENT (% by Volume) OIL/WATER				
SAND CONTENT (% by Vol.)				
METHYLENE BLUE CAPACITY (ppb equiv.)				
pH				
ALKALINITY MUD (Pm)				
ALKALINITY FILTRATE (Pf / Mf)				
CHLORIDE (mg/L)				
TOTAL HARDNESS AS CALCIUM (mg/L)				
SULPHITE (mg/L)				
K+ (mg/L)				
KCl (% by Wt.)				
PHPA (ppb)				

MUD PROPERTY SPECIFICATIONS					
Mud Weight	9.2	API Filtrate	6 - 8	HPHT Filtrate	--
Plastic Vis	MIN	Yield Point	12-25	pH	9.0 - 10.0
KCl	<1.5	PHPA	0.5 - 1.5	Sulphites	> 80

OBSERVATIONS

At completion of plug-back sequence dump all tanks and commence clean-out and repairs.

This is the final report for MEGASCOLIDES 2
RMN / AMC appreciates and thanks you for your business!

OPERATIONS SUMMARY

Lay down excess DP, with stinger @ 123m, spot 15bbl HiVis pill.
Pull back to 55m, set Plug # 3 (12bbls, 15.8ppg) Rig down H'BURTON.
Nipple down BOPs, cut casing, weld cover plate.

Rig released @ 18:00 hrs

Mud Accounting (bbls)

FLUID BUILT & RECEIVED		FLUID DISPOSED		SUMMARY	
Premix (drill water)		Desander		INITIAL VOLUME	693
Premix (recirc from sump)		Desilter			
Drill Water		Downhole		+ FLUID RECEIVED	
Direct Recirc Sump		Dumped	693	- FLUID LOST	693
Other (Recycled from M-1 RE)		Surface		FLUID in STORAGE	
TOTAL RECEIVED		TOTAL LOST	693	FINAL VOLUME	0

Solids Control Equipment

	Type	Hrs		Cones	Hrs		Screens	Hrs
Centrifuge	N/A		Desander	2	0	Shaker #1 2x175, 1x14		
Degasser	Po'Boy	0	Desilter	10	0	Shaker #2 2x175, 1x14		

	Overflow (ppg)	Underflow (ppg)	Output (Gal/Min.)
Desander		0	
Desilter		0	

Product	Price	Start	Received	Used	Close	Cost

Solids Analysis

	% Vol	PPB
High Grav Solids	NIL	NIL
Total LGS		
Calcium Carbonate		NIL
Bentonite equiv.	0	0
Drilled Solids		
Salt - based on Cl-		
n @ Hrs		
K @ Hrs		

Bit Hydraulics & Pressure Data

Jet Velocity	
Impact force	
HHP	
HHP/in²	
Bit Press. Loss	
CSG Seat Frac Press.	1100 psi
Equiv. Mud Wt.	21.30 ppg
ECD	

DAILY COST	CUMULATIVE COST
	$60,355.75

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Clay Study

For

Karoon Gas

Megascolides #1 Re-Entry

Side Track #1

Prepared by:
Sandeep Alphonso
Nick Santarelli
January 2007

Introduction

Washed shale samples from the Megascolides #1 sidetrack were sent to the AMC lab in Adelaide for testing. Samples were from 1650m, 1700m, 1750m, 1800m, and 1850m. The well had been drilled with a low % KCl Polymer fluid, and concerns that the samples had been exposed to KCl may have negated the effects of lab testing for fluid compatibility.

Unfortunately, dried and screened samples are not the best way to determine shale properties as they have been washed and are not really representative of the drilled structure. Bulk samples from the shakers – large uncut and unsorted samples, hole fill, cavings – are the best subjects for this type of test as some structural definition can be seen and large volumes of unaffected shale can be cut out from the surface affected by mud and water.

However, the washed samples did give some insight into the nature of the clays, and have confirmed some conclusions made in the past on other drilling projects in the area.

Lab Methodology

Samples were all mixed together in a tub and mixed until consistent. Some fresh water was added to the cuttings until they showed some plasticity, and the samples were formed into 100 gm balls (dried). The balls were dried in an oven at 200 deg F for 3 hours until they started to crack.

Samples were then placed into a variety of fluids as follows:

1. 10% KCl Brine
2. 10% KCl Polymer
3. 10% KCl PHPA Polymer
4. Fresh Water Polymer (natural Polymer)
5. 10% KCl Polymer 6% Glycol
6. Fresh Water Polymer 6% Glycol.

Samples were placed in hot rolling chambers and hot rolled at 200 deg F for 14 hours, then allowed to cool.

Photographs of the samples were taken both before and after testing. K+ ion measurements were taken after testing in order to determine sensitivity of the clays to potassium.

Results

As expected, all samples returned in a disassociated state. This was expected as the re-formed samples are never as good a laboratory subject as original "chunks" from the well-bore as they have not been formed under the same pressures.

Samples from the KCl brine and 10% KCl Polymer appeared the most discreet – they looked like the cuttings had maintained their individual structure. The remaining samples returned in various states of "sludge". These observations cannot be used as a determining factor for fluid compatibility, other than to say the presence of KCl helped to maintain cutting integrity.

The most telling observations were made in the K+ content of the fluid, and the % weight loss of recovered samples.

All samples using KCl in the mud make up showed not appreciable sign of K+ take-up. In itself, this does not tell us much, but in combination of the sample weight loss, it is significant. The loss of sample through dispersion was as high as 71% (KCl Brine), indicating highly dispersible clays.

A clay must hydrate before it can disperse, and the fact that it dispersed in a 10% KCl solution after having been drilled with a KCl mud shows how little the K+ ion affects these clays.

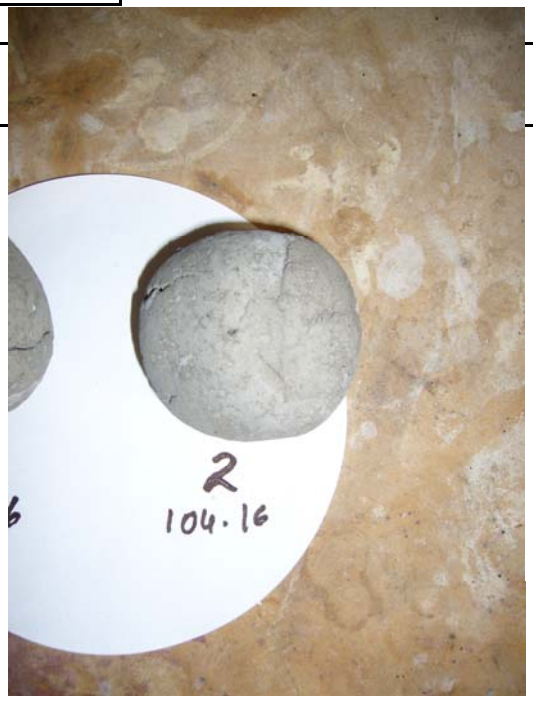
The KCl brine solution showed the highest sample weight loss, the KCl mud with the most inhibitive coating polymers and glycol (also coating) showed the least weight loss (35.4%). In all samples, KCl Polymer muds performed better at minimising dispersion than the fresh water muds.

Photo Results

Sample #1

BEFORE TESTING	AFTER TESTING
	

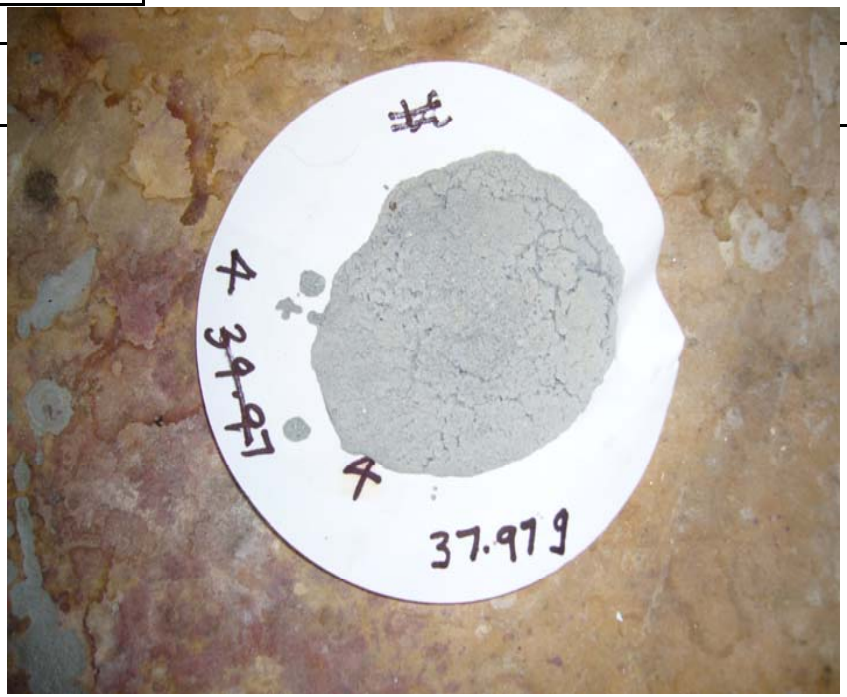
Sample #2

BEFORE TESTING	AFTER TESTING
	

Sample #3

BEFORE TESTING	AFTER TESTING
	

Sample #4

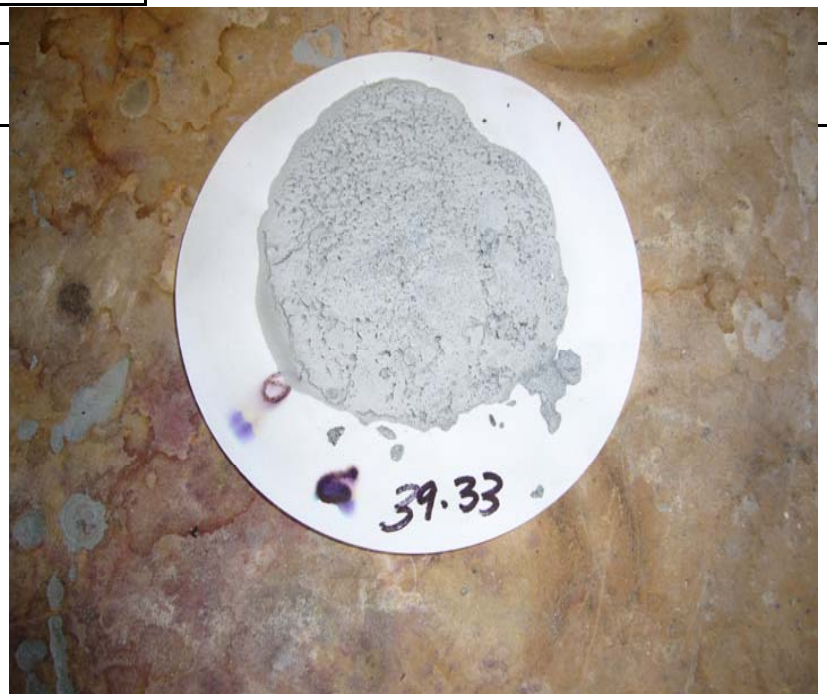
BEFORE TESTING	AFTER TESTING
	

Sample #5

SAMPLE 5

BEFORE TESTING	AFTER TESTING
	

Sample #6

BEFORE TESTING	AFTER TESTING
	

Tabulated Results

SAMPLE NO.	FLUID TYPE	FLUID FORMULA								KCl %	KCl % Loss	Wt In (gms)	Wt Out (gms)	% Loss	OBSERVATIONS
		KCl (ppb)	PAC R (ppb)	PAC L (ppb)	PHPA (ppb)	Xnthn G (ppb)	A-Dex (ppb)	MgO (ppb)	GLYCOL %						
1	**10% KCl**	40						0.5		10	0	106.36	30	71.8	***Sample appeared in good condition. Cuttings discreet, but 72% sample loss due to dispersion.***
2	**10% KCl/ Polymer**	40	1	2		0.25		0.5		10	0	104.16	41.12	60.5	***Sample appeared in good condition. Cuttings discreet, but 60% sample loss due to dispersion.***
3	**10% KCl / Polymer / PHPA**	40	1	2	0.75	0.25		0.5		10	0	101.38	46.16	54.5	***PHPA improved dispersion loss marginally to 55%, however samples appeared mushy.***
4	**Fresh Water/ Starch**		1			0.25	3	0.5				100.8	37.97	62.3	***Next highest loss compared with KCl Brine at 62%, samples mushy.***
5	**10% KCl/ Polymer/ PHPA/ Glycol**	40	1	2	0.75	0.25		0.5	6	10	0	102.2	66.06	35.4	***Lowest loss rate at 35% but samples very mushy.***
6	**Fresh Water/ Starch/ Glycol**		1			0.25	3	0.5	6			102.39	39.33	61.6	***Third highest loss at 61%, samples very mushy.***

NOTES: **KCl loss in all samples containing KCl too low to measure, indicating high K+ not required to stop dispersion. Dispersion of 35-72% of samples indicate clays are reactive even after having been drilled with a KCl mud. This is consistent with observations made in the field for other operators, indicating dispersion and not ractiveness is the issue with these clays. Level of dispersion indicates the clays are highly reactive and hydrate quickly. Chemical inhibition alone is not necessarily**