



3 February 2010

(ASX Code: KAR)

## **ASX ANNOUNCEMENT**

### **POSEIDON-2 PROGRESS REPORT NO 19**

#### **Montara Formation testing**

At 1200 hrs WST today, a drill stem test of the Montara Formation reservoir over the interval 4714-4721 & 4727-4731mRT was in progress. After reviewing flow and pressure data, the Joint Venture has elected to finish the test effective immediately. We will now commence preparations to plug and abandon the well as previously advised upon the completion of well operations.

Karoon believes that it is highly likely that communication to the Montara reservoir was not established during perforation procedures. Lack of suitable equipment at the well site directed at attempting to establish communication to the Montara reservoir has resulted in the decision to move to commence drilling in a new location.

The Montara Formation reservoir sands were first penetrated in the Poseidon-2 well within the Poseidon field. Petrophysical and mudlog data provides strong indications that moveable gas exists in the reservoir which will be a serious target for further evaluation and eventual production testing in future appraisal wells to be drilled over the coming months.

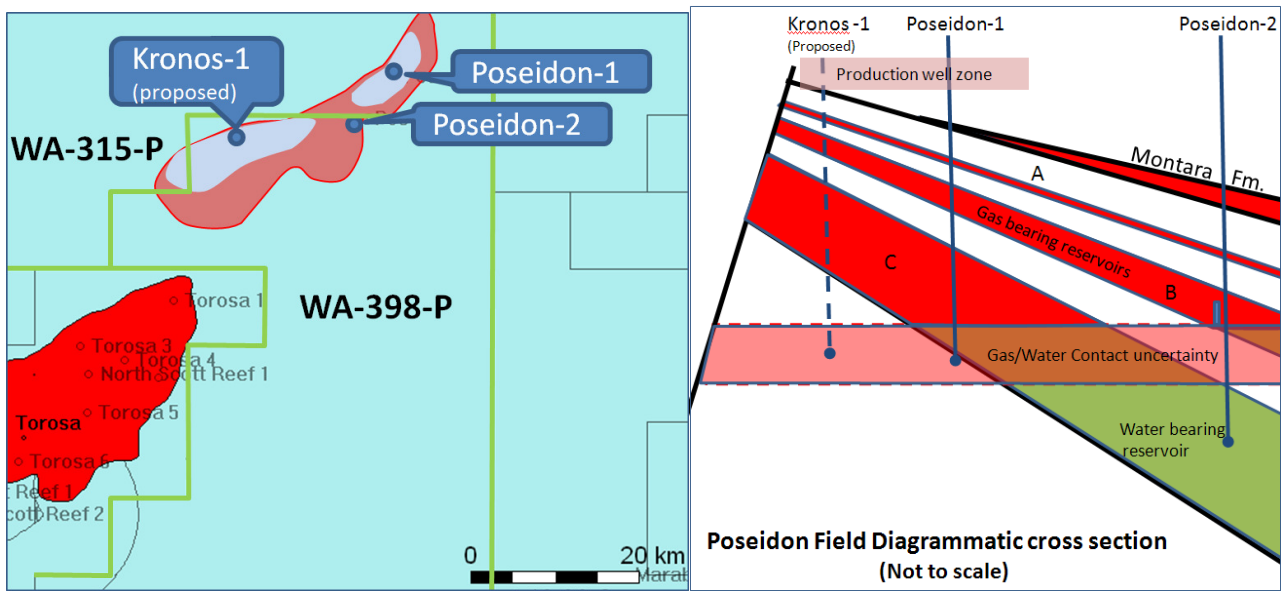
#### **Plover B Formation testing**

Since the last report the Plover-B DST testing program over the interval 5039-5060 & 5085-5100mRT was completed. Gas was produced to surface at a maximum rate of 850scf/d on a 1"choke. Based on the low permeability measured in the B sand core, Karoon interprets that higher flow rates are achievable.

Karoon's interpretation of the restricted flow resulted in part from completion brine being present in the well, severely restricting gas flow to surface. Liquids volumes were not measured due to the low gas rates (gas-liquids separator not used).

A Plover B gas sample was taken at the surface and preliminary compositional analysis shows high methane content, some associated heavier hydrocarbons and low CO<sub>2</sub> levels. Laboratory analysis of preserved gas samples will be used to further define gas composition and any potential liquids yield of the reservoir gas. Further analysis of reservoir gas compositions will be conducted over the course of the appraisal program.

Geological and reservoir simulation modelling by Karoon of the Poseidon field incorporating the Poseidon-2 Plover-B core permeability data are considered unlikely to materially impact the Karoon pre-drill P50 7 TCF Poseidon Contingent Resource estimates for the Plover reservoirs.



The map shows the general outline of the Poseidon field, highlighting in grey the crestal areas at Poseidon-1 and around the Kronos-1 proposed drilling location and the downdip location of Poseidon 2. The diagrammatic field cross section shows the relative positions of the existing and proposed wells projected onto a simplified and generalised field cross section.

### Plover-B Formation Reservoir evaluation

The Poseidon-2 well has met the objective of testing the extent and quality of reservoirs down dip from the Poseidon-1 discovery in a thickened Plover Formation interval (as defined by seismic).

Positioning of the well 6 kilometres from Poseidon-1 in a down-dip setting was considered risky with respect to obtaining high gas flows, but information from downdip positions on the field is critically important for optimal field appraisal. The timing of drilling this well in the overall appraisal programme was in part dictated by the permit conditions of WA-398-P.

This well also supports Karoon's view that the A and C sand intervals have overall better reservoir facies development than the highly interbedded B sand interval. As such, reservoir quality and testing results from the B sand at this location are not considered representative of either of the other sand intervals A and C in the field, nor is it necessarily representative of the B reservoir unit over the remaining field area.

### Summary

The Poseidon-2 appraisal well has:

- Discovered a new Montara Formation gas reservoir.
- Penetrated the three Plover Formation reservoir units A, B and C discovered in the Poseidon-1 well, establishing continuity of the gross sand intervals and intervening shales over a large part of the field.
- Conducted Drill String Tests (**DST's**) that prove log interpretation results identifying the presence of movable gas and adequate reservoir quality in the B reservoirs above the Gas Water Contact at this location.
- Demonstrated that Plover-B core measured permeability at this downdip location is sufficient to contribute to overall field gas recovery.
- Preliminary gas analysis of gas recovered at surface, shows presence of heavier HC components and low CO<sub>2</sub> content.

## Forward Plan

The next test of the greater Poseidon structure is Kronos-1, located on the south-western high. This well is designed to test interpreted higher quality Plover Formation C sand interval reservoirs located high on the structure and also to test Formation B sand interval reservoirs updip from the Poseidon 2 well. Kronos-1 is aimed to confirm commercial production rates from possible future development production wells located on the crest of the greater Poseidon structure.

The Transocean Legend semi-submersible rig is drilling the exploration well, which is operated by ConocoPhillips.

Poseidon-2 is located in WA-398, on the southern flank of the north-east trending structural high of the greater Poseidon structure. The well was drilled to a total depth of 5356 mRT.

As with the recent gas discovery well, Poseidon-1, Poseidon-2 is planned to be plugged and abandoned following final well evaluation and production testing. These are exploration wells and are not suitable for production purposes.

The views expressed in this release do not necessarily reflect the views of ConocoPhillips.

Equity interests of the participants in WA-398-P are:

Karoon Gas (Browse Basin) Pty Ltd	40%
ConocoPhillips (Browse Basin) Pty Ltd	60%

Poseidon-2 Location:

Latitude: 13 deg 40' 07.13" S	Northing: 8 488 802 mN
Longitude: 122 deg 16' 32.25" E	Easting: 421 662 mE

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