

## PROGRESS 06

### PRODUCTION BEGINNS

- Great Artesian enters production phase
- First income received for oil production
- Gas pipeline completed and revenue flowing
- Record gas flow from Bliddeton strike
- Three back-to-back gas discoveries cased and suspended for future testing and possible production

GREAT ARTESIAN OIL  
AND GAS LIMITED'S  
REPORT TO INVESTORS  
ON CURRENT ACTIVITIES

APRIL 2006



# PRODUCTION BEGINS



Moomba

During the past four months Great Artesian has achieved two significant milestones that will transform the company.

Initial production of oil from Kiana-1 in November 2005, and gas from Smegsy-1 in March 2006, have put Great Artesian on the map. Like Beach Petroleum, Stuart Petroleum and Cooper Energy, Great Artesian has joined the select ranks of independent Cooper Basin producers. Like these other companies, as our revenue streams become established, Great Artesian's production will significantly raise our profile with investors over the coming months.

While our initial production and revenue may be modest, the recent three back-to-back gas discoveries provide significant scope for additional revenue once production testing confirms their commerciality.

## Oil production

Our initial oil production from Kiana-1 well (GOG 30%) is now free-flowing at around 20,000 barrels per month (6,000 barrels net to GOG). Production revenue amounted to over US\$175,000 (A\$240,000) for the period 4 – 22 January.

Plans are underway to drill a Kiana-2 appraisal well in August or September 2006. Facilities are also

being installed for pumps once the free-flowing pressure declines. This way, we will maintain similar daily production rates to those we are now achieving for a longer period. To-date no water has been encountered and the well is an uncomplicated and steady oil producer.

Income will also soon be flowing from Smegsy-1 following commissioning of the gas pipeline. Great Artesian is operator of the Smegsy Block Joint Venture (GOG 75%) which from 1 March 2006 became the first third-party gas producer in the S.A. Cooper Basin. During the early stages of production we will continue testing to determine optimum levels for sustained flow.

The Smegsy pipeline and production commercial arrangements with the Santos-led S.A. Cooper Basin Operators will be an important template for commercialising any of our recent gas discoveries.

## Significant new gas province

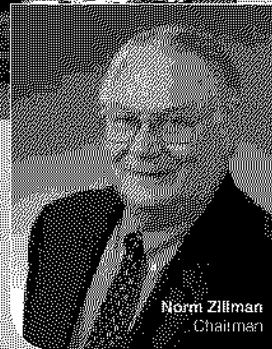
Cased hole production testing of Rosco-1 is expected to commence in late May 2006. It is anticipated this will be followed by testing at Udacha-1 and Middleton-1. The flow rate at Middleton-1, of 11.8 million cubic feet per day, was spectacular – one of the strongest flow rates recorded in the Cooper Basin in recent years. Importantly, pressure data suggest that Middleton-

1 hydrocarbon column may be more extensive, and not just confined to the immediate structural trap. This situation may also be the case at Udacha-1. The nearby Raven Gas Field (which is known to have reserves of 70 – 80 billion cubic feet), coupled with the Middleton-1 and Udacha-1 results, implies that a significant new gas province may lie within PEL 106.

With heightened industry interest following the Middleton-1 discovery, Great Artesian anticipates that there will be further drilling activity in the region through our ability to farmout on a prospect-by-prospect basis.

In our offshore area Great Artesian announced on 1 March 2006 that Olix had combined with two key Indian oil companies – Gujarat State Petroleum and Videocom, to farm into our EPP 27 area. This exciting development will see the farminees fund an initial \$2 million seismic program together with an offshore well in order to earn 60%. GOG will retain a 40% interest in the block.

**Norm Zillman**  
Chairman



# HISTORIC DAY FOR GREAT ARTESIAN



A 14cm diameter steel pipe now lies beneath the desert sand connecting the Smegsy gas discovery (GOG 75%) to the Moomba production facility in the far north of South Australia.

A team of welders working in 40 degree heat in February (pictured) completed the 4.0 km pipeline, to connect with the existing petroleum gathering network in the Cooper Basin. After pressure testing with water, the pipe was commissioned on 1 March 2006.

"While pipeline construction was earlier delayed by rain, the day our first gas flowed was hot, dry and windy. There was a cheer from the small team of engineers as the valve was opened and gas flowed for the first time from the Smegsy field," Great Artesian managing director, Ray Shaw relates.

The first gas to Moomba from Great Artesian's acreage was also the first third-party gas sales to the Moomba plant, operated by the Santos-led South Australian Cooper Basin Producers (SACBP). As such, it represents a significant milestone not only to Great Artesian but to key stakeholders in the region, demonstrating that future production can be sold through the Moomba centre.

Having the arrangement in place will streamline the process of arranging delivery and sales of gas from our recent discoveries.

Production testing of Smegsy will take place from March to May to determine the optimum stabilised flow rate from the well, allowing Great Artesian to estimate the value of future production.



## Great start to 2006 exploration program

# 100% SUCCESS RATE WITH FIRST THREE WELLS OF 2006

The three wells completed so far this year have all resulted in new field gas discoveries and have been cased and suspended for future possible production - a spectacular hat-trick, topped off with a record gas flow from Middleton-1:

**Roscco-1** (PEL 106, GOG 60%) was cased and suspended as a new field gas discovery after interpretation of wire-line logs, including a comprehensive formation pressure dataset, confirmed the likely presence of a total of 26 metres of net gas pay involving a number of discrete sand bodies within the Patchawarra formation. A work-over rig has been contracted to undertake further cased-hole production testing from late May 2006. This well was fully funded by farminees.

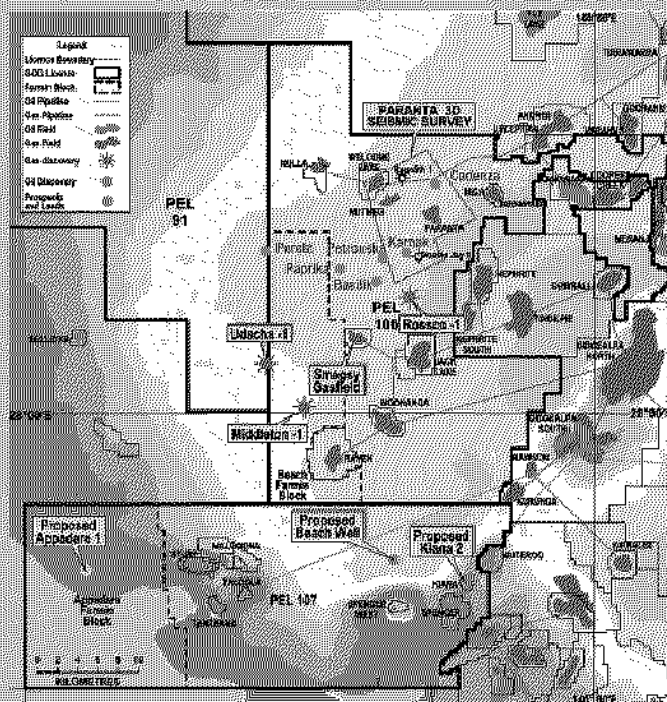
**Udacha-1** (PEL 91/106, Great Artesian 32.5%) was cased and suspended in early February following intersection of a number of potential gas/gas-condensate bearing sands, within the Patchawarra formation. A total of 12 metres of gas pay has been interpreted. A test of one interval flowed gas to surface at a rate of 0.44 million cubic feet per day. Although only a modest flow, it was still significant, as earlier drilling difficulties had meant that potential reservoirs had been left exposed to drilling mud for several days, resulting in some formation damage. Cased-hole production testing is planned for mid-year to better evaluate the potential of these reservoirs. Importantly, pressure data are consistent with the hydrocarbon column extending beyond the known extent of the mapped structural trap. This may imply the presence of stratigraphic and structural trapping mechanisms and scope for significant upside. Udacha-1 was fully funded by farminees.

**Middleton-1** (PEL 106, Great Artesian 50%) Middleton-1 was fully funded by Beach Petroleum and has produced one of the strongest test flows in recent South Australian Cooper Basin history. Located on a structural nose down-dip from Udacha-1 up to 17 m of net pay is interpreted within a number of sands of the Patchawarra formation. The record test flow was recorded from just one sand located between 2653 - 2663m. Beach has estimated that Middleton contains at least 5 - 8 BCF of gas at the P90 confidence level. Significantly the DST pressure data suggest that the hydrocarbon column could also extend beyond the mapped structural trap. At a P10 level structures to the north and south might be implicated involving an area of 4 - 6 sq km. Such an accumulation would have significant reserves, providing the reservoirs extend across this feature (20-40 BCF). Further evaluation as part of a cased-hole production testing program is planned for mid-year.

Interpretation of the **Paranta 3D seismic data** is continuing but already a number of prospects have been delineated, including an up-dip Paranta structure. Energy Investments has exercised its option and will now fully fund a well within the Paranta 3D block. Cadenza-1 is planned to be drilled in late April 2006, and Great Artesian has

successfully negotiated to contract Rig #30 from Ensign for this. An option for up to two additional wells has also been taken up, following the drilling of Cadenza-1.

Beach, as operator of PEL 107, has announced that it intends to drill three wells in PEL 107 (GOG 60% subject to various farmouts) commencing in August/September. This will include two exploration wells (including Appadare-1 to be fully funded by Rawson Resources), as well as an appraisal well on the Kiana Oil Field.



# OIL PRODUCTION DOUBLES

Tankers are now regularly trucking to Moomba the oil produced during production testing of the Kiana oil field (GOG 30%).

Extended testing of the well was necessary to determine the best way to maximise production flow from the Kiana structure, so Great Artesian arranged safe of the oil produced during the testing.

Production started in November when storage tanks were installed at the site (pictured below). The first month's production was around 12,000 barrels of [light] crude, but this has since doubled to around 20,000 barrels a month. Costs of delivering the oil 35 km to the Moomba treatment facility by road tankers is relatively low, allowing the company to take advantage of the high crude oil prices.

Kiana-1 flowed 2.8 million cubic feet of gas and 1,100 barrels of oil a day in the drill stem test carried out when the well was drilled. We are planning an appraisal well, Kiana-2, and once the field is connected to the nearby petroleum-gathering pipelines, we plan to maintain maximum production by introducing pumps.



# MAJOR INDIAN OIL COMPANIES ATTRACTED TO GREAT ARTESIAN'S OFFSHORE AREA

The large structures and high prospectivity of Great Artesian's offshore Otway Basin area have attracted two major Indian petroleum companies.

Farm-in negotiations were recently completed in EPP 27, South Australia, with two large Indian oil and gas players joining Oilex to fund both a seismic survey and a well.

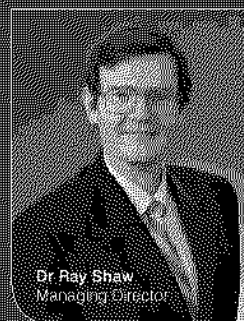
They are Videocon Industries Limited (Videocon), the oil and gas member of the major diversified Videocon group of companies and Gujarat State Petroleum Corporation Limited (GSPC), a vertically integrated oil and gas company owned by the Government of the State of Gujarat.

The Otway is an established petroleum production area and Great Artesian's EPP 27 permit area has structures with the capacity to hold up to a trillion cubic feet of gas-condensate, or hundreds of millions of barrels of oil. Great Artesian's chairman, Norm Zillman, has always regarded the area as having potential to be a "company maker".

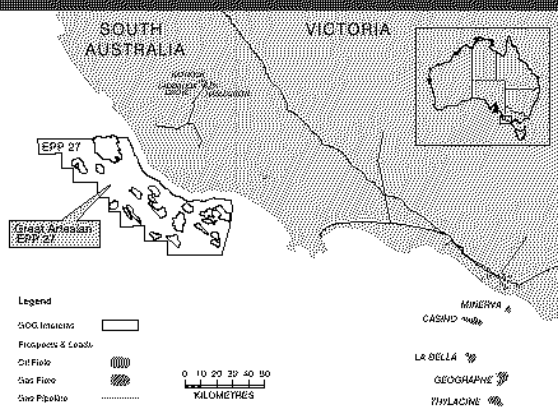
The new agreement between GOG, Oilex, Videocon and GSPC will see the farminees funding an exploration well at a location to be

determined and acquiring up to \$2 million of new 2D seismic data.

Planning has commenced for possible seismic acquisition in May/June 2006 with expectations that the well will be drilled during late 2006 or 2007, subject to government approvals and rig availability. Once the well is drilled Oilex, Videocon and GSPC will each be entitled to a 20% interest in EPP 27, with Great Artesian retaining the remaining 40%.



Dr. Ray Shaw  
Managing Director



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# ASIA LIKELY TO COPY THE COOPER'S 'BRAT PACK'

Australia a likely model for Asia's petroleum exploration development, Dr Ray Shaw, Great Artesian's managing director, told an international petroleum conference in Singapore recently.

He suggested that the recent history in the Cooper Basin is an illustration of what is likely to happen throughout Asia.

"Junior petroleum explorers will emerge there in the same way they are now leading exploration in brownfield areas in Australia, particularly the Cooper Basin," he told the 11th Annual Asia Upstream Conference.

At present the big international companies dominate Asian exploration, with only a handful of recent start-up explorers, compared to the 70-plus numbers of home-grown junior explorers that abound in Australia's more mature exploration landscape.

"It is only a matter of time before the large strikes being made in Indonesia, India, and Thailand by major oil explorers attract a strong base of second and third tier explorers into those countries, willing to explore for smaller structures that are not economic for the large players," he predicted.

Well	Expected Start-up Date	Notes
PEL 106	May 2006	Roscco-1 cased hole production testing (CHPT)
PEL 106	May 2006	Cadenza-1 Exploration Well
PEL 106	June 2006	Paprika-1 Exploration Well*
PEL 106	H1 2006	Udacha-1 CHPT
PEL 106	H1 2006	Middleton-1 CHPT
ATP 552	June 2006	Beilbird West-1 Exploration Well
PEL 107	Aug/Sept 2006	Appardare-1 Exploration Well
PEL 107	Sept 2006	Kiana-2 Appraisal Well
PEL 107	Sept/Oct 2006	Prospect A Exploration Well

\* Well contingent on farm-in

# OUR ACTIVE EXPLORATION PROGRAM

The recent exploration successes on our areas has attracted considerable interest from potential farm-in partners. Great Artesian is in discussion with these and planning future wells that will include: