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Central Petroleum Limited

Date of Lodgement: 9/5/12

Title: "Company Insight – Surprise Update"

Highlights of Interview

- Dalton Hallgren, new Acting CEO, discusses his 'business as usual' focus for work on the appraisal of Surprise-1 REH
- The 3D and 2D seismic data acquisition is due to commence shortly, while preparatory work for the extended production test is on schedule
- Mr Hallgren discusses the applicability of his extensive US drilling experience to the conditions found at Surprise
- The potential of Central's Amadeus Basin acreage in the EP-115 Block where Surprise is located, and beyond, is starting to be recognised by the industry

Record of interview:

Central Petroleum (ASX CTP: market capitalisation of~A\$129 million), which recently announced the successful flow testing at 380 barrels of oil per day from its Surprise-1 REH well in the Amadeus Basin the Northern Territory, has a new Acting CEO, Dalton Hallgren.

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How has your role been affected by all the changes and disturbances at Central Petroleum over the past few weeks?

Acting Chief Executive, Dalton Hallgren

Actually, my role has not been affected all that much, as most of the corporate actions are being handled by our legal and company secretarial teams.

My focus continues to be centred fair-and-square on the appraisal of the Surprise-1 re-entry oil discovery and the extended production test that we'll conduct in the near term; and also, the ongoing exploration and development of our other prospective assets in central Australia. In other words, it's business as usual for me.

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So – what exactly does 'business as usual' mean for you and the Company? What does it mean in specific terms, for instance, at Surprise?

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Dalton Hallgren

Since we've made a significant oil discovery, it is my strong view – and it's a view shared by our whole team – that Surprise needs to be carefully engineered to maximise the ultimate return to all shareholders.

First, both 3D and 2D seismic data acquisitions are required and this work, which is due to commence shortly, will provide the data we'll need to further define the Surprise structure. That means we can maximise the efficiency and reduce the risk associated with further appraisal drilling and development. This work will also help identify those adjacent structures which have good potential as drillable targets.

There's also a lot of activity associated with Surprise's extended production test in terms of infrastructure for producing the oil, permitting, and the sales and transport agreements. We've been working diligently on all those aspects, and everything is currently progressing as scheduled. We should be ready in the near term to finalise the build of the surface equipment, and then to start flowing the oil.

All the operational projects associated with the Surprise discovery are keeping me and the Company's technical team very busy at the moment. To take an exploration company and move it to a production company is quite a task, and some steps have taken us a little longer than originally expected. We've had the usual hold-ups with getting equipment built and so on, but we're moving forward really well.

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What is your background in oil and gas exploration and development?

Dalton Hallgren

I came out of the active duty US Services and my goal initially was federal law enforcement – but because there was a hiring freeze I ended up roughnecking to raise money for college. On one of the wells I was working on, an old Texas company man for Hess thought I was a pretty bright guy who worked hard, and convinced me to become an engineer, so I took his suggestion and completed a Bachelor of Science degree in Petroleum Engineering from the University of Montana (Montana Tech). I was an unconventional student because I roughnecked and drilled at the same time as studying – so I guess I had a pretty busy schedule.

When I graduated, I went back to drilling, as there wasn't a high demand for engineers in the early 1990s. Within a couple of months, I was picked up as a directional hand, then after a couple of years, I managed a directional company. I then went to work with Halliburton Project Management as a drilling engineer/supervisor, working my way up to drilling superintendent. I then worked for Boots & Coots as a Senior Well Control Engineer. Given my directional background a lot of my work was planning, developing and drilling the technically challenging relief wells. I was then hired as a Drilling and Completions Manager for a junior operator in the US to develop their acreage prior to coming to work for Central.

I've seen the industry from the bottom up; seen a lot of both the practical and theoretical sides; and I've worked in many different basins within the United States and all around the world.

I have about 20 years of experience in oilfield exploration, appraisal and development, as a manager and drilling engineer. I've worked extensively in the Marcellus, Bakken, Haynesville and Barnett

shale gas and oil plays in the US. I've managed the drilling of numerous horizontal multi-stage-fraced wells in these plays for companies such as Halliburton Project Management, Burlington Resources, Headington Oil, St Mary, Peak, Encana, Hess, Marathon and Conoco.

I've been involved in drilling unconventional wells since the late 1990s in the Bakken and Barnett shales – and I've learned some of the best ways of maximising production in these shale plays. We first started out just open footprint single stage fracing, and through the development process to multi-stage-fracing. When I was contacted about coming to work for Central Petroleum in Australia, they were looking for someone with unconventional expertise to avoid having to reinvent the wheel here in Australia, and so we could utilise the time-tested lessons learned in the US to develop Australia's unconventional plays.

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You were credited with the idea to horizontal-drill Surprise – a key ingredient in that great result. What techniques did you and your team use on the Surprise structure, and what are the next exploration, drilling and assessment steps?

Dalton Hallgren

I came into the Surprise operation just as they were starting to drill, and after reviewing the core and looking at the thickness of the permeability streak, I realised that Surprise resembled another sand-play I'd completed in the US called the Tyler/Heath sand. My team and I convinced Central's Board into adjusting the plan and drilling a horizontal well – which we could do for about the same cost of the originally planned sidetrack.

So we drilled down to the maximum depth that our particular rig could handle, leaving our lower horizon targets for a later date. We then pulled back up and did our horizontal sidetrack. We utilised what we call geosteering using vertical offset logs and a gamma tool - we steered the horizontal through the different lithologies in the rock – targeting the streak we wanted to drill. Doing this, we drilled the small horizontal at Surprise to within a metre or thereabouts of our target. We'll be continuing to employ these and other techniques I've brought across as we pursue our targets and develop our properties

In terms of 'next steps', we'll start acquiring 3D and 2D seismic data over the Surprise and adjacent structures later this month, having recently awarded the contract to Terrex Seismic. We'll then process and interpret the data, and we'd expect the results to be completed by September or October 2012.

Our completion and production engineers are out in the field now, pulling plugs and running the downhole sensors in preparation for the extended production test due to commence the end of this month or early next month. We're also negotiating a sales contract which we hope to finalise soon.

It's also pretty likely that additional development drilling at Surprise will be conducted, but all the decisions here will have to await the outcome of the current seismic and extended production testwork. Ideally we would like to create a developmental project within the EP-115 Block, where Surprise is located, because of the great potential we think should be able to be realised.

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What do you think Surprise means for the overall prospectivity of Central Petroleum's broader acreage in central Australia?

Dalton Hallgren

This is the first oil flow to surface in the Northern Territory since the Mereenie oil field in the mid-1960s and I believe it's the first Australian onshore horizontal well that has produced oil-to-surface.

Surprise-1 REH is approximately 160 kilometres west of the Mereenie oil field and the work done in both areas indicates that there is the combination of oil generation, migration and oil trapping present across the Amadeus Basin area. Surprise – along with the Johnstone West #1 well – has given us a lot of valuable knowledge, and we think we can utilise some newer techniques and the lessons we've learned from similar environments overseas to sharpen our thinking and reduce Central's ongoing exploration risk.

Overall, the Surprise discovery has meant the potential of our acreage in central Australia is starting to be recognised. Moreover, with our large onshore acreages, we're well placed to capitalise on the opportunities in the current market. But I'm pretty focused and so is our team. Surprise was the biggest event in this Company's history, and we're working hard to engage our skills and take this discovery to the next stage.

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Thank you, Dalton.

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- Magee Prospect Block, portion of EP 82 – HEA 84.66% and OGE 15.34%.
- EP-93, EP-105, EP-106, EP-107, EPA-92, EPA-129, EPA 130, EPA-131, EPA-132, EPA-133, EPA-137, EPA-147, EPA-149, EPA-152, EPA-160, ATP-909, ATP-911, ATP-912 and PELA-77 - Central subsidiary Merlin Energy Pty Ltd 100% ("MEE").
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