



**MEO Australia Limited**  
ABN 43 066 447 952

Level 23  
500 Collins Street  
Melbourne Victoria 3000  
Australia

Tel: +61 3 8625 6000  
Fax: +61 3 9614 0660  
Email: [admin@meoaustralia.com.au](mailto:admin@meoaustralia.com.au)  
Website: [www.meoaustralia.com.au](http://www.meoaustralia.com.au)

### **ASX & Media Release**

## **Heron South-1 Progress Report No. 8**

### **Key Points:**

- Cut 26.7m core from 4,068.5m to 4,095.2mMDRT and recovered to surface
- Drilled 216mm (8 ½") hole from 4,095m to 4,178mMDRT
- No reportable incidents and well operations proceeding according to plan

MELBOURNE, AUSTRALIA (11<sup>th</sup> October, 2012)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) provides the following update in relation to Heron South-1 being drilled in NT/P68, operated by Eni Australia Ltd. Since the last report, a 26.7m core was cut from 4,068.5m to 4,095.2mMDRT (metres Measured Depth below Rotary Table) and recovered to surface. Based on palynology analysis of core chip samples, MEO believes the section cored is sandstone above the main Elang-Plover objective.

Following recovery of the core, drilling operations resumed and at 07:00 Darwin time on Thursday 11<sup>th</sup> October, Heron South-1 was drilling ahead at a depth of 4,186mMDRT. Gas shows and elevated resistivity readings from the LWD tools have been recorded while drilling. The significance of these observations will only be determined once a comprehensive formation evaluation program has been conducted at Total Depth (TD). There have been no reportable incidents.

### **Progress Summary**

#### **Progress since last report:**

- Cut 26.7m core from 4,068.5m to 4,095.2mMDRT and recovered to surface
- Drilled 216mm (8 ½") hole from 4,095m to 4,186mMDRT

#### **Present Operation (at 07:00 Darwin time, 11<sup>th</sup> October 2012):**

- Drilling ahead in 216mm (8 ½") hole at 4,186mMDRT

#### **Outlook:**

- Drill 216mm (8 ½") to the gas water contact in the Elang-Plover objective, cut cores as required
- Evaluate well at TD with full wireline logging suite and production test well if warranted

The forward plan is to continue drilling to the gas water contact in the Elang-Plover objective. At TD a comprehensive formation evaluation program will be undertaken. If warranted, a production test will be run to determine reservoir productivity.

The key objectives of the well are to determine the productivity of the Elang-Plover reservoir and the gas composition.

An overview of the NT/P68 permit including location map and simplified Heron structural cross section are attached for reference.

**Jürgen Hendrich**  
Managing Director & Chief Executive Officer

# Timor Sea: NT/P68

MEO 50%, Eni Australia Ltd 50% & Operator

## Heron South-1 Drilling Underway

**Drilling underway to test 5Tcf mean prospective gas resource**

Eni farmed in to the NT/P68 Exploration permit in 2011 (refer ASX release dated 18<sup>th</sup> May 2011) and is earning an initial 50% interest in the Heron area by funding two wells on the Heron structure. The first of these wells - Heron South-1 - spudded on 24<sup>th</sup> of August 2012 using the ENSCO-109 jack-up drilling rig and is expected to take up to 60 days to complete. Eni has 60 days following the conclusion of Heron South-1 drilling to elect whether to fund a second Heron well to fully earn its 50% interest in the Heron area of the permit or withdraw from the Heron area in which case the participating interest reverts to MEO.

Heron South-1 will target the Heron South fault block to determine the extent of the gas column, the productivity of the Elang and Plover reservoirs and analyse the gas composition. MEO estimates the Greater Heron structure could contain mean prospective recoverable raw gas (ie inclusive of CO<sub>2</sub>) resources 5 of Tcf, potentially sufficient to underpin an LNG development.

## Blackwood Area

**Eni to elect to drill Blackwood well by 5<sup>th</sup> January 2013**

Eni also has an option to earn a 50% interest in the Blackwood area by acquiring a minimum 500 km<sup>2</sup> 3D seismic survey in the Blackwood area and drilling a well on the Blackwood structure.

Eni completed acquiring the 766 km<sup>2</sup> Bathurst 3D seismic survey over Blackwood East on the 5<sup>th</sup> of January 2012. Eni has 365 days from the completion of the survey to elect whether to drill Blackwood-2 to fully earn its 50% interest in the Blackwood area of the permit or withdraw in which case the participating interest reverts to MEO.

Eni is a major participant in the region and in November 2011 acquired a 40% interest in the adjacent Evans Shoal Field for US\$250m cash and a deferred consideration of US\$100m.

## Development Plans

**Potential carry of costs to FID plus \$75 million bonus payment**

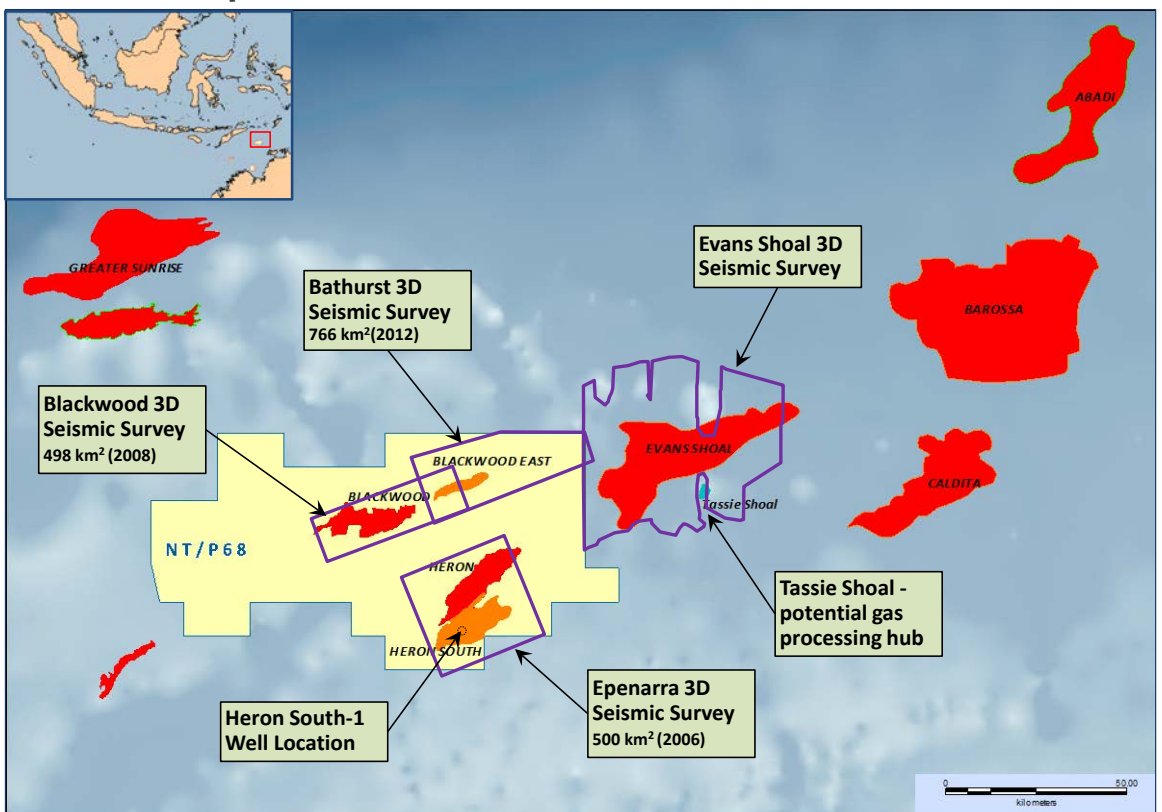
Under a provision of the Farmin agreement, Eni has a further option to acquire an additional 25% interest in both areas of the permit by funding MEO's share of the work programme (including additional appraisal wells) required to reach a Final Investment Decision (FID) for either a Heron and/or a Blackwood development. MEO will receive a one off bonus payment of US\$75 million for the first discovery to reach FID.

Following appraisal of the Heron and/or Blackwood gas discoveries the Joint Venture will evaluate all potential development options including consideration of incorporating a gas processing hub at Tassie Shoal, approximately 75 km from the Heron South-1 location.

## Location Map

**A cluster of undeveloped gas resources**

**Tassie Shoal a potential central gas processing hub location**



## Tassie Shoal Projects Overview

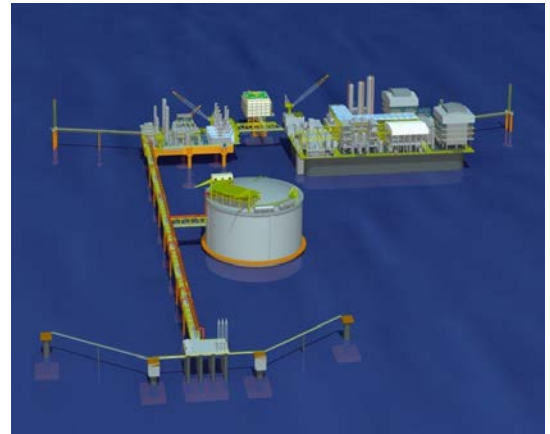
**Tassie Shoal projects provide development options**

**Environmental approvals are in place**

MEO has secured environmental approvals for a proposed 3.0 MTA LNG plant and two 1.75 MTA Methanol plants to be located at Tassie Shoal.

Pre-FEED development plans have been prepared and costed for the proposed developments. The LNG project has the potential to reduce LNG development costs by in excess of US\$2bn compared to FLNG or land based development while the methanol process utilises the CO<sub>2</sub> in the feed gas stream avoiding expensive geo-sequestration costs and difficulties in alternative development scenarios.

The projects have been granted Major Project Facilitation Status by the Federal Government Department of Infrastructure and Transport.



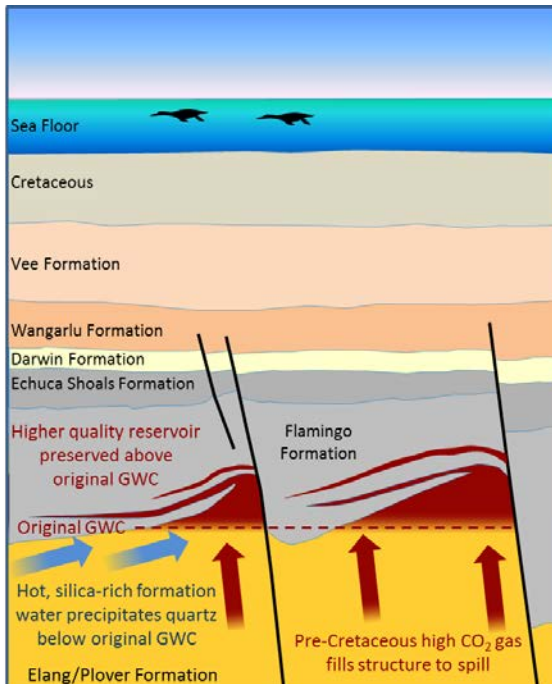
## Resource Description

**Heron-2 tested gas but did not reach the GWC**

Heron-2 was drilled by MEO into the Heron North structure in 2007/08. Although the well encountered and tested gas, operational difficulties caused drilling to cease prematurely without determining the gas water contact (GWC). It is believed that collapse of the well bore during flow test caused only an isolated upper stringer to contribute to the flow. Gas quality recovered during the DST was inconsistent with more liquids rich gas observed in the mud returns while drilling the lower section of the hole. The variation in gas quality is postulated by MEO as being due to the later generation of liquids rich, low CO<sub>2</sub> gas from the Flamingo formation in the adjacent Malita Graben as the area subsided and heated after the Cretaceous era.

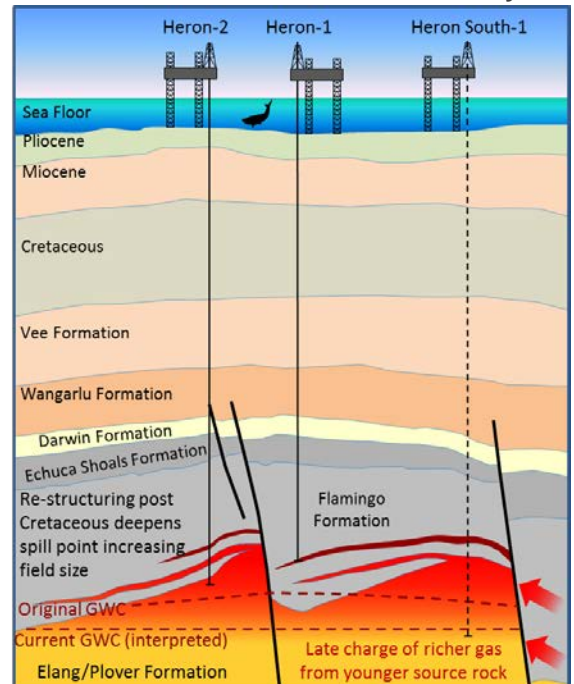
**Liquids rich signatures in Heron-2 mud gas explained by late charge**

**Structural Cross Section - Late Cretaceous**



Early fill of high CO<sub>2</sub> gas prevents circulation of formation water preserving reservoir quality above gas water contact (GWC).

**Structural Cross Section - Present Day**



Late charge from younger source rock mixes with early gas fill from re-structured field and lowers GWC to new spill point.

**Potential LNG scale resource**

## Greater Heron Structure (Prospective Resource)

MEO's assessment of the prospective resources in the Greater Heron structure remains unchanged from the assessment released on 14<sup>th</sup> October 2010 tabulated below. This assessment assumes the Greater Heron structure is filled to the structural spill point mapped by MEO (4,325mSS).

Raw Gas Ultimate Recovery (Tcf)	Low	Best Estimate	High
MEO Prospective Resource Assessment <sup>1</sup>	3.66	4.96	6.64

1. The MEO volumes reported in this table have NOT been reduced for non-hydrocarbon gas (CO<sub>2</sub>, N<sub>2</sub>) content. Assumed range is 13.6% to 28%. MEO has limited the non-hydrocarbon gas (CO<sub>2</sub>, N<sub>2</sub>) content to that observed in the primary reservoir at Evans Shoal-2.