

7 October 2004

Manager Announcements
Companies Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000



Via electronic lodgement

TESTING UPDATE

Homerun – 1 (10% working interest) – Location: Padre Island

Zone 2 has been perforated and is in the process of being flow tested. On initial perforation the well immediately started to flow gas and has now been allowed to flow for some 36 hours. The flow rate has ranged between 400 and 500 mcf per day and the zone has also started to flow light oil at between 17 and 25 barrels per day. These flows have been achieved without any form of stimulation.

The well will now be shut in to obtain pressure information which will be used to design a fracture stimulation programme aimed at significantly increasing these production rates.

These production rates are economic and even without fracture stimulation this zone is a candidate to be completed and tied into the Texas gas grid. These results increase the probability that the next zone in the well will also flow at commercial rates.

The results of both the deep wells (LaPlaya Deep – 1 and Homerun – 1) show that the sequence does contain permeable gas bearing reservoirs and that has positive implications for the prospects to the South (Manzano, Plum and Murdock) where depositional models predict a thickening of the reservoir sequence and an improvement in quality.

Syd –A1 (100% working interest) – Location: Bethany

A potential oil reservoir, 9 feet thick, has been perforated and acid washed. The well will be swabbed over the next day in order to recover the completion fluid and to ascertain what natural flow the zone can sustain.

On behalf of the
Board of Directors

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