GAS2GRiD

ABN 46 112 138 780

9th January, 2011

PHILIPPINES OPERATIONS SUMMARY
MALOLOS-1 CASED HOLE LOGGING COMPLETED

SERVICE CONTRACT 44 (100%), Onshore Cebu, Philippines

- Cased hole logging has been completed
- Data has been processed and interpreted by wireline contractor
- Several, thick gas bearing sandstone reservoir intervals are interpreted as worth flow testing
- Testing will commence as soon as possible with equipment currently being mobilised
- Mill bit and mud motor stator previously left in the hole above the junk has been successfully fished out of the hole
- Testing of the deeper (below 2,173 metre) oil bearing sandstone is delayed to utilise the drilling rig that will be mobilized to complete the three well exploration program planned for this half year

OPERATIONS: Malolos-1, cased hole, workover operations commenced on the 30th October 2011 using a coiled tubing unit cleaning the well out to a depth of 3,270 feet (996.8 metres). A cement plug was drilled out between 3,260-3,270 feet (993.7-996.7 metres) – and the clean out continued to 3,400 feet (1,036.3 metres) when traces of oil and gas were observed at the surface with about 20 psi surface pressure. The well was further cleaned out to 6,000 feet (1,828.8 metres) and a wiper trip conducted with slight resistance encountered between 3,512-3,518 ft (1,070.5 -1,072.3 metres). Surface pressure increased to 480 psi and oil and gas flowed to surface for over 1 ½ hours – total oil recovered was just over 20 barrels.

The clean out was continued to a depth of 7,190 feet (2,191.5 metres). At this depth an obstruction was intersected in the hole which has been determined to be 2 $^{7}/_{8}$ inch tubing. It is likely that this tubing is attached to a packer, both of which ("junk") form part of the original (1960) cased hole testing equipment which became stuck at that time and were left in the hole. Attempts to mill out the junk have been unsuccessful and the mill bit plus some other equipment has been left in the hole during this work. Fishing attempts with an overshot on the coiled tubing unit were unsuccessful but the mill bit has since been successfully fished out of the hole with the wireline unit.

Office:
Level 11; 10 Bridge Street,
Sydney, NSW, 2000
Tel: +61 2 8298 3688 Fax: 8298 3699

P.O. Box R1911
Royal Exchange, 1225
www.gas2grid.com

CASED-HOLE WIRELINE LOGGING: Cased-hole wireline logs have been successfully recorded from above the junk in the hole located immediately above the oil sandstone reservoir (7,190 feet - 2,191.5 metres) to surface. Data quality is excellent. The main logging tool employed in the well is the pulsed neutron (PNN) which under good conditions has the ability to differentiate the sandstone reservoir intervals and also separately recognize oil, gas and water.

These data were processed and interpreted by the logging contractor with excellent results. Numerous sandstone reservoir intervals were identified and these intervals have a good correlation with those intervals interpreted from the original, open-hole wireline logs. In addition, previously perforated intervals (in 1960) have been identified.

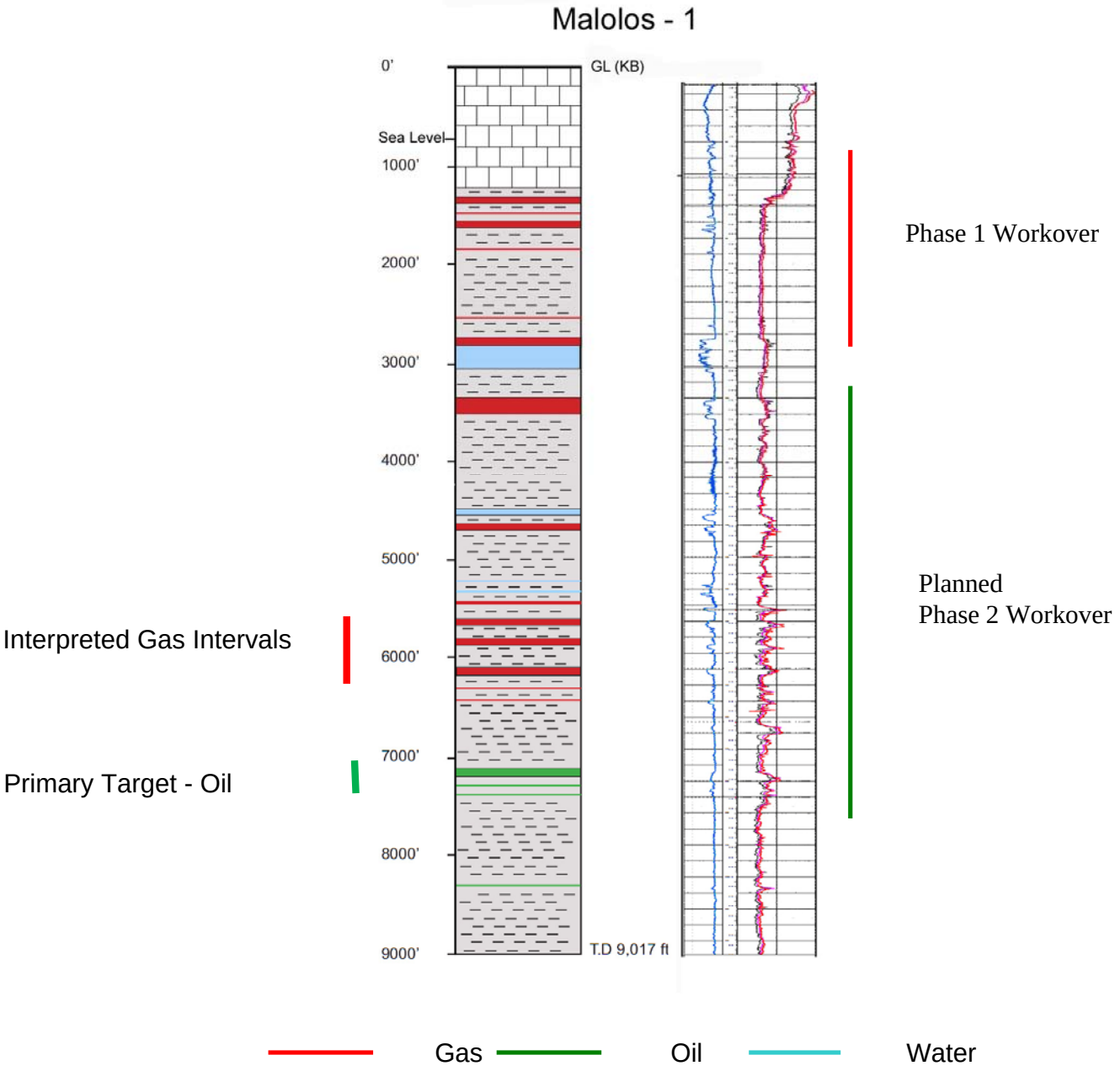
The contractor has identified both possible gas and water bearing sandstone reservoir intervals. 5 sandstone reservoir intervals have been interpreted as being gas bearing and they warrant cased-hole flow testing.

TESTING PROGRAM: The forward plan is to perforate and flow test the main sandstone reservoir intervals that have been interpreted as being gas bearing based on both the cased-hole and open-hole wireline logs. Testing will commence as soon as all equipment can be mobilized to site and the previously unknown, existing well perforations, are secured. It is likely that testing will not commence for at least another 4-6 weeks, however every effort will be made to complete the testing as soon as possible.

The flow test results will not in any way influence either the well location or the likely success of the upcoming three exploration well drilling program planned for this half year. The three new wells are mainly targeting different play types and the well locations have been determined based on good seismic control.

BACKGROUND: Oil (39° API) was recovered on several drillstem tests conducted over the gross interval 2,185-2,233 metres when the Malolos-1 well was originally drilled and tested in 1960. Sustained production from these oil bearing sandstones was not established at that time. We are attempting to access these same oil reservoirs and conduct tests to try and establish commercial oil production.

Numerous other sandstone intervals are located within the well above the oil bearing sandstone (2,173 metres). The original well records indicate that both gas and water have been produced from these intervals on open hole drillstem testing. We will now try to fully evaluate the distribution of gas and water and if possible establish commercial gas production.



Dennis Morton
Managing Director
Ph: +61-2-8298 3682
dennis@gas2grid.com

Patrick Sam Yue Phone:
Non-Executive Director
+61-2-8298 3668
psy@ozemail.com.au

Office:
Level 11; 10 Bridge Street,
Sydney, NSW, 2000
Tel: +61 2 8298 3688 Fax: 8298 3699

P.O. Box R1911
Royal Exchange, 1225
www.gas2grid.com