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**UPDATE ON MALOLOS-1 WORKOVER AND SEISMIC SURVEY
WITHIN SERVICE CONTRACT 44, ONSHORE CEBU, PHILIPPINES**

Malolos-1 Workover

The Phase 1 workover is completed achieving the objectives with the following procedures and results:

- The presence of natural gas in Malolos-1 is confirmed.
- The work consisted of an investigation into the current well status and the existing completion followed by swabbing the previously perforated sandstone interval (816.9 – 841.3 metres), retrieving the completion and conducting cased-hole electric logs.
- The swabbing operations resulted in the recovery of formation water confirming that the sandstone reservoir was being accessed through the casing perforations and that reservoir properties are good quality; gas was circulated out of the well after the swabbing operations.
- The cased hole logs did not recognise the gas bearing intervals although hydrocarbon bearing intervals are now more confidently identified by integrating these new logs with interpretation of the original open-hole wireline logs.
- It is now interpreted that the shallow section of the well (ie. above 915 metres) contains several gas bearing intervals: four separate sandstones (each 3 - 5 metres thick) over the gross interval 367.3 - 478.5 metres, an additional 3 metre thick gas bearing sandstone over the interval 774.2 - 777.3 metres and a gross 23 metre thick gas column (816.9 - 839.7 metres) overlying water.

Gas and oil bearing sandstones are present deeper in the Malolos-1 well but they were not targeted during this Phase 1 workover. The well has been suspended pending the planning and implementation of the Phase 2 workover which will likely involve a well intervention, recompletion and flow testing of selected oil and gas bearing sandstones at both the shallow and deeper levels within Malolos-1. The timing for Phase 2 workover is dependent on equipment availability, funding and requisite approvals, and the target commencement is in Quarter 3, 2010.

Background

A workover on the fully cased Malolos-1 well, offers the Company the lowest cost and nearest term, low risk operation to try to produce commercial gas and oil flow rates. The type of formation damage interpreted to occur in this well is common and similar to damage that has been successfully overcome in other hydrocarbon-bearing sandstones deposited within Tertiary age sedimentary basins worldwide.

The workovers were planned to be conducted in two phases. Phase 1 workover targeted a thick sandstone interval, with a top at a depth of 816.9 metres, which was originally reported to have flowed gas to surface on open-hole drillstem testing. This zone has also recently produced gas but will not currently flow. It was also planned to evaluate several other, shallower gas bearing sandstone intervals. The sandstone interval with a top at a depth of 816.9 metres was chosen for the Phase 1 work as it provided a low cost option to evaluate a gas bearing interval. The Phase 1 program did not require mobilization of a drilling rig and expensive equipment (the work was conducted using a crane). Whilst better oil and gas bearing intervals exist deeper in the well, the shallow sandstone offered a lower cost option.

- **Phase 1:** consisted of establishing the well status, installation of wellhead safety equipment, swabbing the existing completion fluid out of the well to reduce back-pressure against the formation and if possible inducing the sandstone interval (816.9 - 841.3 metres) to flow, and running cased-hole logs.
- **Phase 2:** determination and implementation of a well intervention program (of which there are numerous options) to induce selected oil and gas bearing intervals to flow natural gas and oil at commercial rates and conduct a long term production test; this work is planned for Quarter 3, 2010.

Seismic Survey

The seismic acquisition program commenced in March and to date 37 kms new data has been acquired. The seismic acquisition program will likely be completed in early May, before the onset of the wet season halts operations. The survey aims to assess the following:

- detail Miocene age, limestone pinnacle reef prospects that have been interpreted from existing seismic data;
- provide additional coverage over the eastern part of the Malolos anticline; and
- provide regional coverage over selected parts of SC 44.

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