



Tuesday, 19th January 2010

(ASX Code: KAR)

**ASX ANNOUNCEMENT**

**POSEIDON-2 PROGRESS REPORT NO 16- PREPARING TO RETEST.**

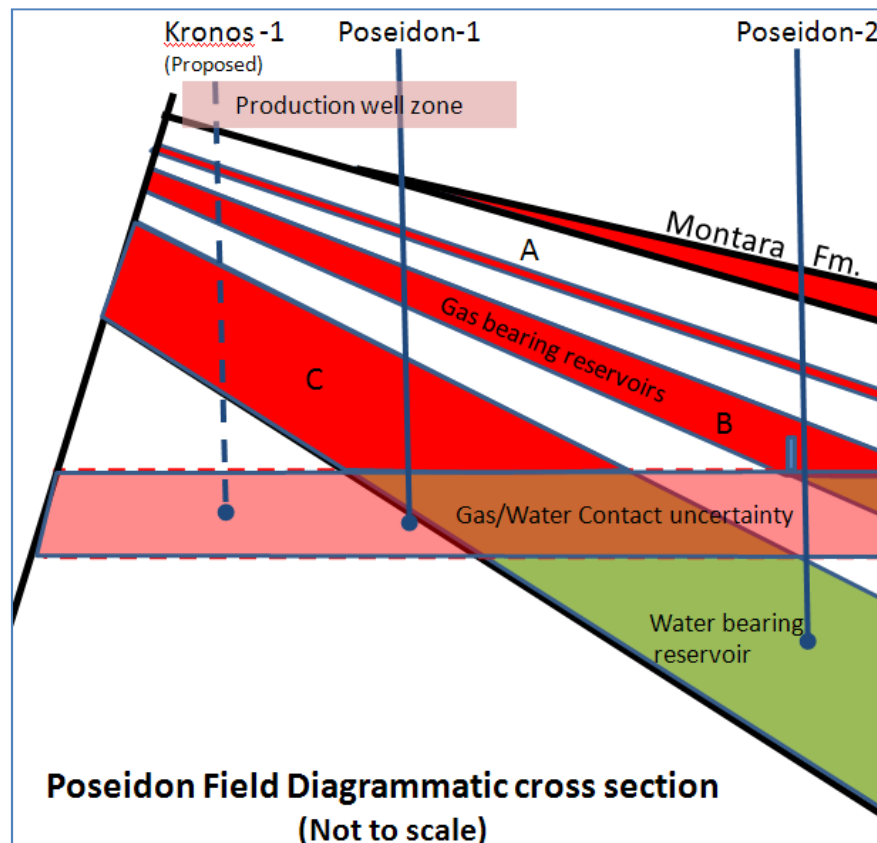
Current activity

Karoon and its joint venture partner, ConocoPhillips are preparing to retest the Plover Formation interval 5035 to 5100mrt. Analysis of the first test attempt indicates that it is highly likely that no connection between the well bore and the reservoir was achieved.

The test is expected to begin early next week and continue into the following week

Poseidon-2 well objectives

Poseidon-2 is located in WA-398-P, downdip on the southern flank of the north-east trending structural high of the greater Poseidon structure (33-55km long and 6-20km wide). At this location the Plover Formation is interpreted to thicken. The figure-below shows a generalised schematic cross section through the Poseidon field showing the projected relative positions of the existing and proposed wells on the structure



Poseidon-2 is part of a multi-well appraisal program and the success of the Poseidon Field is not tied solely to a successful test in this location. Additional wells in strategic locations around the Poseidon field are needed before an assessment of reserves or commerciality can be established.

#### Poseidon 2 - Progress to date

Prior to drilling the primary target Plover Formation reservoir intervals, the well intersected an overlying reservoir sequence (Montara Formation) not penetrated in the Poseidon-1 well. Karoon's interpretation of logging data indicates the presence of hydrocarbons over a gross reservoir interval of 20m in the Montara Formation.

The Poseidon-2 well then penetrated the top of the Plover Reservoir interval. As predicted by seismic interpretation, the well intersected a thicker Plover Formation sequence, intersecting all of the three gross reservoir intervals seen in Poseidon-1. Approximately 60m of core was cut within the B reservoir interval. This core is currently being analysed. The well was drilled to a final TD of 5356mrt which is below the estimated Gas Water Contact (GWC). Logging While Drilling (LWD), wireline logging and mud-logging data interpretation indicates the presence of hydrocarbons in reservoirs above the GWC.

The initial well test of the B sand is interpreted to have failed because of very limited or no connection between the well bore and the reservoir. Preliminary permeability data from the core cut from the B reservoir interval indicates that the reservoir should flow gas. Preparations are underway for a new test over the same interval (interval indicated on figure).

The program of coring and flow testing the B sand in Poseidon-2 is to provide a gas composition and to assess the level of contribution from this position to potential production wells located along the crest of the structure (as indicated on the above figure).

#### Forward plan

The Montara reservoir penetrated in the Poseidon-2 well is expected to be production tested after the completion of the testing of the Plover reservoir.

The next well to be drilled will be Kronos-1 exploration well, which will begin at the completion of Poseidon-2.

The joint venture has been advised the last two well options (by mutual agreement with Transocean) are no longer available. As currently planned the Joint venture will drill Kronos-1 and then Lion-1 before handing over the rig. Analysis of the drilling rig alternatives available for successfully drilling the resultant appraisal/production wells has commenced and a new higher capacity rig will be sourced in the short term to continue the appraisal of the Poseidon field.

The Transocean Legend semi-submersible rig is drilling the exploration well, which is operated by ConocoPhillips.

As with the recent gas discovery well, Poseidon-1, Poseidon-2 is planned to be plugged and abandoned following final well evaluation and production testing if applicable. These are exploration wells and are not suitable for production purposes.

Equity interests of the participants in WA-398-P are:

Karoon Gas (Browse Basin) Pty Ltd	40%
ConocoPhillips (Browse Basin) Pty Ltd	60%

Poseidon-2 Location:

Latitude: 13 deg 40' 07.13" S	Northing: 8 488 802 mN
Longitude: 122 deg 16' 32.25" E	Easting: 421 662 mE

Please note that this Update has been prepared by, and reflects the views of Karoon but does not necessarily reflect the views of ConocoPhillips.

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