

ASX ANNOUNCEMENT

17 October 2002

Oil recovered from Port Fairy No 1 from the Flaxman/Waarre Formation

Following the announcement of a flow of gas from the Port Fairy No 1 well on 18 September 2002, Essential Petroleum has undertaken further studies of the well. As earlier reported, the initial flow of gas from the Flaxman/Waarre formation over a perforated interval of 1347 to 1358 mRT was estimated to be 4 to 5 mmcf/d through a 2 inch flow line but was only sustained for a period of about 5 minutes. To determine the pressure-temperature conditions and the type of fluid in the well a down hole pressure survey was subsequently run in the well. The pressure survey of the well indicated the presence of gas in the tubing from zero to 274 metres overlying a 15 metre column of oil from 274 to 289 metres, in turn overlying brine completion fluid. This equates to 30 cubic feet of gas and 0.26 barrels of oil in the tubing.

A sample of the oil was recovered by swabbing the well and the oil and gas samples were submitted to Amdel, Petroleum & Material Services for analysis. Amdel reported "the oil sample appears to be a full range naphtha with a small amount of mono aromatics". The Specific Gravity was 0.77 at 15 degrees Centigrade equivalent to 52 degrees API gravity oil with no evidence of biodegradation. The gas contained condensate and minor light oil fractions and a zero carbon dioxide content.

Further engineering studies will now be undertaken to determine if and how an economic flow rate from the well can be achieved.

The recovery of oil from the Port Fairy No 1 well is the first recorded oil discovery in the central part of the Otway Basin from the Waarre Petroleum system and is a significant step forward in the exploration of the Basin and has positive implications for the prospectivity of PEP 152 and PEP 159 in which Essential Petroleum holds significant interests. The Company will now focus its attention on the search for oil as well as gas in this area.

Further geological and engineering studies over the next few months will include petrological and petrophysical analysis of the reservoir and possible stimulation techniques and alternative completion designs of the well. These studies should indicate whether the discovery is commercially viable.

Interests in the Port Fairy No. 1 well are as follows:

Essential Petroleum	84.41%
Lakes Oil NL	15.59%

Interest in the test of the Flaxman/Waarre are:

Essential Petroleum	100.00%
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Interest Holders in PEP 152 are:

Essential Petroleum	33.9%
Origin Energy Petroleum Pty Ltd	50.51%
Lakes Oil NL	15.59%



John Remfry
Managing Director

Enquiries: Mr John Remfry, Managing Director
Phone: (03) 9699 3009
Facsimile: (03) 9699 3110
Email: info@epri.com.au