

ESSENTIAL PETROLEUM RESOURCES LIMITED



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I am delighted to announce that Commonwealth and State Governments have offered Essential Petroleum Resources its second offshore permit, VIC/P50.

Immediately south of our existing offshore permit VIC/P46, VIC/P50 was won by Essential Petroleum in a competitive tender against international and major Australian oil and gas companies.

Our two offshore permit areas, VIC/P46 and VIC/P50, constitute one of the most exciting oil and gas opportunities in Australia today, with at least one well scheduled to be drilled in each of these permits. Within the four distinct play types mapped by Essential Petroleum in these areas are significant Waarre Formation prospects, similar to those of the giant gas discoveries at Thylacine and Geographe, reported to be 600 BCF and 200 BCF respectively.

Essential Petroleum has also mapped giant, potentially oil bearing turbidite prospects lying within VIC P/46 and VICP/50 permit areas. The turbidite prospects have been mapped using geological models based on similar prospects located in deepwater continental margins such as West Africa, South America and the United States Gulf Coast area.

Our preliminary economic modelling highlights the size and potential benefit of these prospects. For example, a turbidite prospect, which we have mapped and named Descartes, straddles the Vic/P46 and Vic/P50 boundary. Modelling shows that a discovery in Descartes could contain on an unrisksed basis as much as 2.2 billion barrels of oil. Even on a risksed basis, this would transform Essential Petroleum into a major player in the Australian oil and gas industry.

In other news, Essential Petroleum announced today that discussions with other companies to farm into Vic P/46 are in progress. Whilst farm in terms have yet to be determined, we would expect that if our discussions are successful, farminees would carry Essential Petroleum through a substantial part of an agreed work program.

The level of activity in the Otway Basin is increasing following Santos' spudding of the of Casino No. 1 in the exploration permit VIC/P44 to the east of VIC/P46 and the award of four other application areas in the offshore Otway Basin to Santos led consortia.

The Casino prospect is a Waarre Formation target and was spudded on the 26th August. Although Essential Petroleum does not hold an interest in VIC/P44, we will be closely following the well for its impact on the prospectivity of the offshore Otway Basin.

Vic P/46, VIC/P50 and the Otway Basin generally have attracted a great deal of interest following a number of major discoveries by others since Essential Petroleum acquired VIC/P46. Recently there have been some major announcements, including a decision by BHP Billiton to develop the Minerva offshore gas field and government approval for the construction of the SEGAS pipeline from Port Campbell to Adelaide.

The development of infrastructure in the Otway Basin is further validation of our strategy to focus on the Otway Basin because of its proximity to large markets and the low cost of bringing discoveries into commercial production.

Essential Petroleum offers unique exposure to the Otway Basin and remains the only listed oil and gas explorer with a prime focus on this highly prospective region.

Our spread of onshore permits was recently consolidated with the formal award of PEP 151. The Victorian Government ratified the award of the permit after the Company reached an exploration agreement with the Native Title Claimants in the area, the Gunditjmara People. This is the first time in Victoria that such an agreement has been reached.

We are delighted with the strong working relationship that has been forged with the Gunditjmara People and look forward to the beginning of exploration activity in PEP 151. We hold a 100% interest in the permit, which we believe hosts some exciting onshore oil prospects.

Last week we conducted the final of our scheduled tests in the Port Fairy No 1 well. The test recovered 1.5 barrels of slightly muddy water with a strong petroliferous odour and an oily sheen. The small recovery is indicative of tight reservoir rocks with insufficient permeability to allow fluids to flow to surface. The well will now be plugged and abandoned.

The Port Fairy No 1 well, while not producing hydrocarbons, has considerably improved our knowledge of the PEP 152 and PEP 159 permit areas. The well encountered the Waarre B formation with excellent gas shows including light oil fractions but was devoid of the highly permeable Waarre C formation.


The lack of the Waarre C formation in the well has enabled us to define the palaeogeographical distribution of Waarre C sands. This will significantly enhance our ability to select drilling locations with the best chance of encountering the highly prized Waarre C sands.

I expect to announce further news about our onshore well program in the next few weeks. The PEP 159 joint venture, in which Essential Petroleum has a 50% interest is committed to spudding a well by 12 November 2002 and the PEP 152 joint venture, in which Essential Petroleum has a 33.9% interest is committed to spudding a well by 3 February 2003.

I will keep you informed of new developments over the next few months.



John Remfry
Managing Director

The next -news update will be distributed in the near future. If you have any questions about Essential Petroleum in the mean time, please contact Mr John Remfry via e-mail address info@epri.com.au or by calling (03) 9699 3009. You may wish to visit our website at www.essentialpetroleum.com.au. Your comments and feedback are welcomed.

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