

**ASX RELEASE**

**WINDERMERE OIL PROJECT:  
NEW TECHNICAL STUDIES SIGNIFICANTLY DERISK THE PROJECT**

- **3D SEISMIC INTERPRETATION CONFIRMS A MAPPABLE PETROLEUM SYSTEM**
  - **NEW TECHNICAL STUDIES DEMONSTRATE HIGH LIKELIHOOD OF ECONOMIC FLOW RATES**
- DRILLING DELAYED**

Bass Strait Oil Company Ltd (ASX: BAS) has completed new technical studies that significantly derisk the upcoming Windermere project. Although oil flowed on test from the 1987 Windermere-1 well and therefore many of the risks usually associated with exploration drilling were significantly reduced, there remained two key uncertainties:

1. How did the oil migrate into the Windermere-1 area but not the updip Windermere-2 area?
2. Why did the oil that flowed on test at Windermere-1 not flow when the well was completed for production?

BAS has significantly enhanced answering these questions by interpreting the recent 3D seismic survey from a petroleum system perspective and by conducting a series of technical studies on the Heathfield Sandstone reservoir rock.

The source of the oil recovered at Windermere-1 was deep within the lower Eumeralla Formation and where, in fact, Windermere-2 had an oil show. Using the results of the recent 3D seismic survey, BAS has demonstrated that the likely migration path is via major faulting. The oil then pools at the first available reservoir along that pathway. The faults that control the Windermere-1 structure are deep seated faults which penetrate deep below the generation level. The oil migrates up these faults and then pools in the Heathfield Sandstone; the first available reservoir on that migration pathway. The faults associated with the Windermere-2 structure, however, do not penetrate into the lower Eumeralla Formation and therefore the oil generated at that depth cannot migrate into that structure.

As previously announced, a series of reservoir engineering studies and petrophysical evaluations have demonstrated that Windermere-1 did not flow oil on production because of formation damage – the drilling fluid and the completion fluid were chemically significantly different and therefore “shocked” the formation stopping economic flow. It should be possible to produce the oil at Windermere in an economic way if modern drilling and completions technologies were used. BAS is currently undertaking laboratory tests on the Heathfield Sandstone reservoir rock and various drilling and completion fluids to determine the optimal methodology for economically drilling and completing Windermere-3.

As a result of these various studies a commercial success at Windermere is considered a realistic expectation.

The PEP 167 joint venture is now planning to drill Windermere-3 in the 4<sup>th</sup> Quarter of 2011.

PEP 167 is held by a joint venture of BAS 50% (operator) and Interra Resources (Australia) Pte Ltd 50%.

Dr Steve Mackie  
Acting Chief Executive Officer

