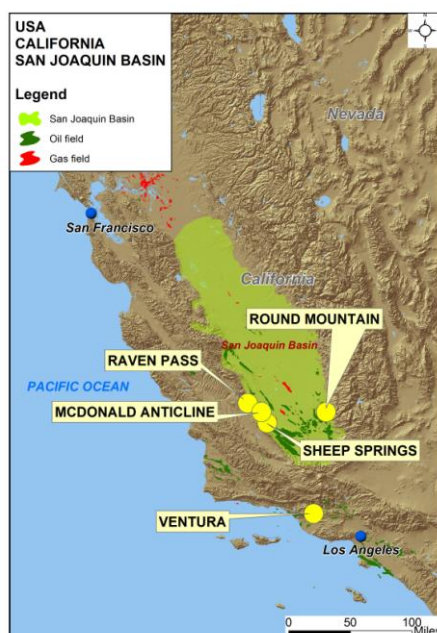


26th April 2012  
Australian Stock Exchange  
By ASX online

### QUARTERLY ACTIVITIES REPORT For the quarter ended 31 March 2012

#### HIGHLIGHTS

- Production up 29% on corresponding quarter last year
- Production up 2% on last quarter
- Smoot 6 placed on production
- Smoot 5 commences water disposal
- Successful workover in Sheep Springs
- Microbial pilots projects commence in Sheep Springs



Incremental Oil and Gas project locations

#### DRILLING

No new wells were drilled in the Quarter.

## **WORKOVERS**

### **ROUND MOUNTAIN**

#### **SMOOT 6:**

The Pyramid Hill and Jewett Formations were fracture stimulated in two stages and placed on co-mingled production. The well was on production on February 1<sup>st</sup>. As the well cleaned up, the pump capacity was increased several times to accommodate the producibility of the well. The oil production appears to have stabilized at about 16 bopd, with about 250 bwpd.

#### **SMOOT 4:**

The Jewett Formation was fracture stimulated through existing perforations. The Jewett Formation alone produced at an average of 15 bopd and 70 bwpd. On 20<sup>th</sup> February the well was placed on co-mingled production, producing from both the Jewett and Pyramid Hills Formations. The combined oil rate seems quite stable at about 25 bopd with 130 bwpd.

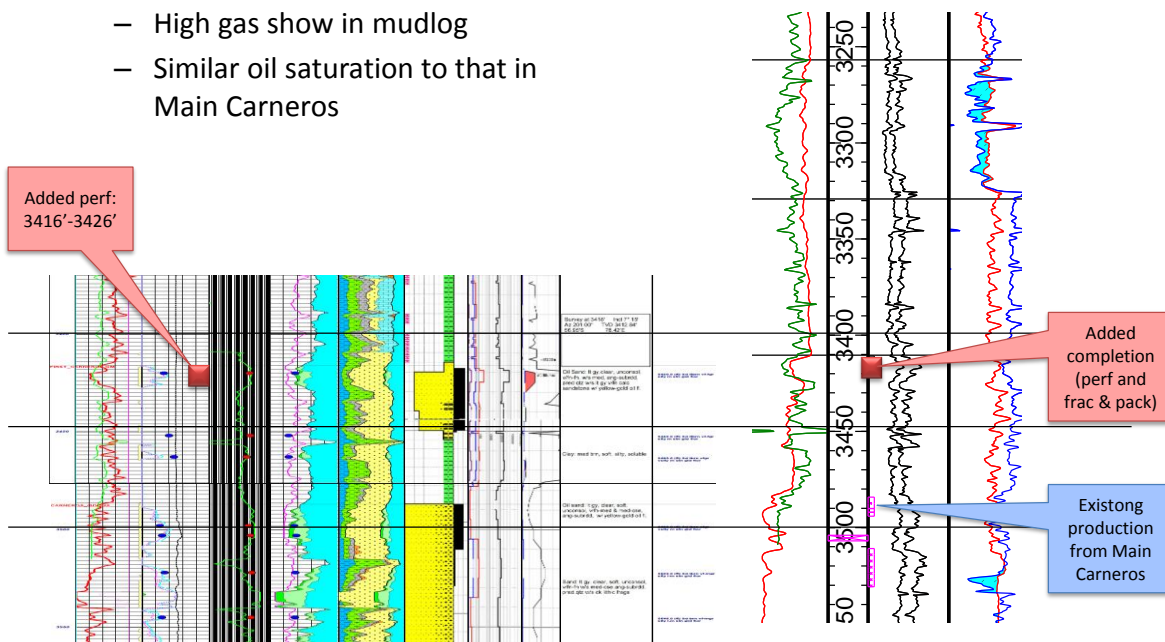
### **SHEEP SPRINGS**

#### **SHEEP SPRINGS C-4:**

This workover perforated and Frac-Packed the unproduced First Carneros in C-4. The job was done successfully on 29<sup>th</sup> February through perforations at 3416'-3426'. Production increased from only 6 bopd before the job to an average of 16 bopd after. Thus the workover costs of \$85k have already been significantly recovered.

### **Sheep Springs C4 – Frac & pack**

- Completed zone: First Carneros
  - High gas show in mudlog
  - Similar oil saturation to that in Main Carneros



This workover illustrated the iterative work of an oil producer, as we constantly re-visit old wells in an attempt to increase production and defer production decline.

#### MICROBIAL PROJECTS

Two microbial projects in the Sheep Springs oilfield were initiated this quarter.

After extensive laboratory studies, a cocktail of microbial nutrients was injected into the low rate oil producer Sheep Springs 10. Studies around the world suggest that specific microbes, after being encouraged to flourish in the subsurface, can have a measurable increase on oil production. This pilot project is inexpensive and could be another future tool in ameliorating the production decline in Sheep Springs.

A second microbial project is addressing the large volumes of heavy, shallow oil in Sheep Springs. Laboratory work shows that microbes, with suitable nutrients break down the long molecular chains (heavy oil) into shorter chain (lighter oil) hydrocarbons. We are now in the process of determining how to economically apply this process to the subsurface.

### **PRODUCTION**

#### **ROUND MOUNTAIN**

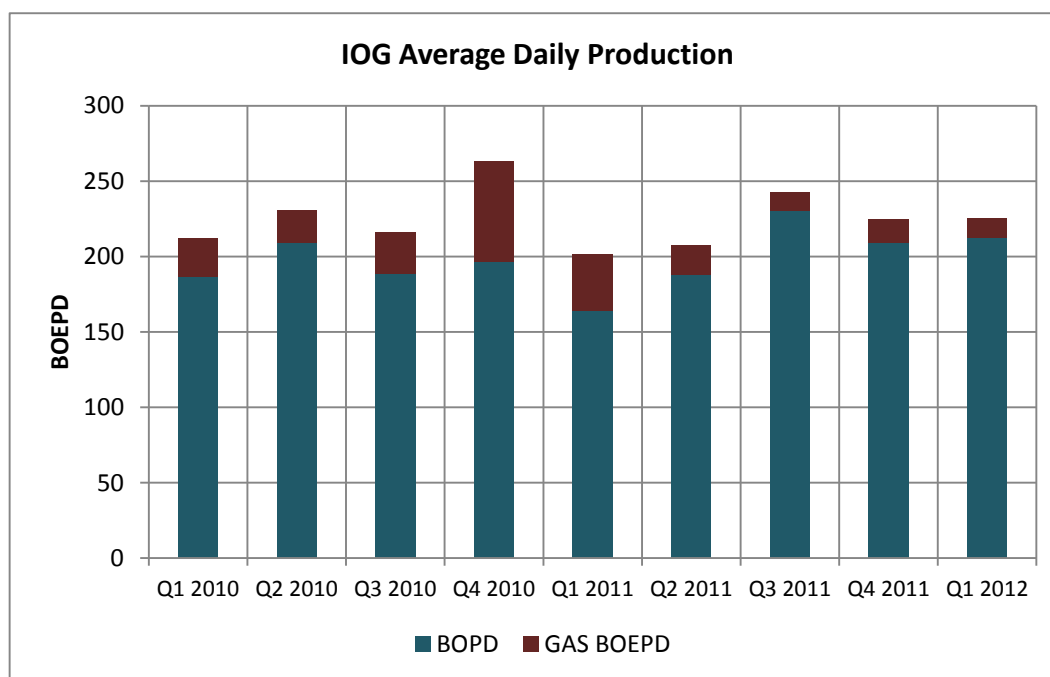
The five producing wells at Round Mountain were producing satisfactorily. The water disposal well Smoot 5 was brought into operation on 23<sup>rd</sup> February. The well disposes of up to 600 bwpd into a deep water bearing reservoir in a safe, economical manner. The well has ample capacity for further water production from the field, should that eventuate. A 1500 barrel wash tank was purchased at Round Mountain. This will result quicker separation of oil and water, especially in colder weather.

#### **SHEEP SPRINGS**

Sheep Springs continues to produce normally, with the workover in C-4 increasing production in the last half of the quarter.

Details of production for the quarter and reference quarters are:

	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>
Production (Av barrels oil per day)	<b>213</b>	<b>209</b>	<b>164</b>
Gas production (Av 000's cubic ft/day)	<b>72</b>	<b>95</b>	<b>222</b>
Average daily production (barrels oil equivalent)	<b>225</b>	<b>225</b>	<b>203</b>
Average price of oil sold (US\$/barrel)	<b>111.70</b>	<b>110.71</b>	<b>98.50</b>
Average price of gas sold (US\$/mcf)	<b>1.43</b>	<b>2.05</b>	<b>3.14</b>
Quarterly revenue (US\$)	<b>2,108,645</b>	<b>2,028,078</b>	<b>1,512,760</b>



The first quarter of 2012 saw oil production 29% higher than the corresponding quarter last year and 2% above the preceeding quarter. The increase is due to the contribution of the Round Mountain Smoot 6 well. Revenues were 39% higher than the corresponding quarter last year. Realized oil prices increased slightly in the present quarter to an average of US\$111.70.

#### **OTHER PROJECTS**

The team continues to develop our upcoming projects. The previously reported projects at Ventura and McDonald Anticline are expected to both be drilled in the coming months.

Many additional projects, from a number of sources, both internal and external to California have been reviewed during the quarter, but none have met management's investment criteria.

Gerry McGann  
Managing Director