

# MAGELLAN PETROLEUM AUSTRALIA LIMITED

ABN 62 009 728 581



ADMINISTRATIVE OFFICE  
10th Floor, 145 Eagle Street,  
Brisbane, Queensland, Australia 4000  
Postal Address:  
GPO Box 2766, Brisbane 4001

Telephone: (07) 3832 6400  
Facsimile: (07) 3832 6411  
Email: magadmin@magpet.com.au  
Website: www.magpet.com.au

30 January 2004

TGD:mvc:jpm

Company Announcements Office  
Australian Stock Exchange Limited  
Level 10  
20 Bond Street  
SYDNEY NSW 2000

The Manager,

## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2003

This report is submitted by Magellan Petroleum Australia Limited in compliance with the ASX Listing Rule 5.2, and covers the quarter **1 October 2003 to 31 December 2003**.

This report is based upon, and accurately reflects, information compiled by a person who is a practising geologist, who holds a Bachelor of Science Degree in Geology, who has had a minimum of five years experience in the practice of geology and who is a full time employee of the Company.

## PRODUCTION

### **Mereenie and Palm Valley Natural Gas**

The Company's share of natural gas produced for sale from the two Amadeus Basin fields (Mereenie and Palm Valley) during the quarter ended 31 December 2003 decreased by 3.4 percent from the December 2002 quarter, as detailed below:

| Field (Magellan Share)   | Terajoules   | Million Cubic Feet |             | Variance      |
|--------------------------|--------------|--------------------|-------------|---------------|
|                          |              | Total              | Daily       |               |
| Mereenie                 | 1,239        | 1,063.6            | 11.5        | + 1.8%        |
| Palm Valley              | 812          | 714.2              | 7.8         | - 10.4%       |
| <b>Total Both Fields</b> | <b>2,051</b> | <b>1,777.8</b>     | <b>19.3</b> | <b>- 3.4%</b> |

The total amount of Amadeus Basin natural gas produced for sale for the December 2003 quarter decreased by 2.2 percent from the December 2002 quarter, as detailed below:

| Field (All Participants) | Terajoules | Million Cubic Feet |       | Variance |
|--------------------------|------------|--------------------|-------|----------|
|                          |            | Total              | Daily |          |
| <b>Mereenie</b>          | 3,542      | 3,038.7            | 33.0  | + 1.8%   |
| <b>Palm Valley</b>       | 1,560      | 1,372.9            | 14.9  | - 10.4%  |
| <b>Total Both Fields</b> | 5,102      | 4,411.6            | 47.9  | - 2.2%   |

### **Mereenie Crude Oil and Condensate**

The Company's share of crude oil and condensate produced for sale from the Mereenie field during the quarter was 5,412 kilolitres. This equates to approximately 34,039 barrels or a daily average of 370 barrels. Total oil and condensate produced for sale from the field was 97,255 barrels (1,057 barrels per day), a decrease of 0.3 percent from the December 2002 quarter.

### **Nockatunga Crude Oil**

Magellan acquired a 40.936% interest in the Nockatunga oil fields in the Cooper Basin of southwest Queensland, effective 1 July 2003. The Company's share of crude oil sales was 1,783 kilolitres which equates to approximately 11,216 barrels for the quarter, or a daily average of 122 barrels per day.

### **Aldinga Crude Oil**

An extended production test commenced in the Aldinga oil field in the Cooper Basin in May 2003, which is continuing. Crude oil sales from the Aldinga field in South Australia for the quarter totalled 569 kilolitres. This equates to approximately 3,577 barrels. The Company's share of crude oil sales was 284 kilolitres which equates to approximately 1,789 barrels for the quarter, or a daily average of 19 barrels per day.

## **OPERATIONS AND EXPLORATION ACTIVITIES**

### **AUSTRALIAN OPERATIONS**

#### **Palm Valley Gas Field, Amadeus Basin (52.023% Interest)**

The Palm Valley field which is operated by Magellan produced an average of approximately 0.43 million cubic metres per day (15.1 MMcf/D) of natural gas during the December quarter. The Northern Territory Government has approved a wellhead pressure reduction program which is designed to counteract the field's natural production decline and maximise gas deliverability from the field while operating in accordance with good oil field practice.

The increasing use of compression is required to meet the pressure reduction program. Stage 4 of the field compression program is being planned which will allow the wellhead pressures to be reduced progressively to a final wellhead pressure of 690 kPa; this involves engineering design for a further 720 HP of compression capacity in the field.

An additional development well, Palm Valley-11, is scheduled for drilling early this year to increase deliverability from the field. Approval to drill the well was received from the Northern Territory Government in early January 2004. The Palm Valley Gas field is located adjacent to the Finke Gorge National Park; however, Environment Australia and the Northern Territory Department of Environment and Heritage advised that the drilling operation did not require assessment under the relevant Commonwealth and Territory legislation, provided the drilling was undertaken in accordance with the Company's Environmental Management Plan for the well.

#### **Mereenie Oil and Gas Field, Amadeus Basin (35% Interest)**

A major upgrade of the compression facilities and gas processing plant at Mereenie is in progress, which will increase deliverability of gas from the field to meet gas contracts over the next several years. The drilling of two additional gas development wells will be undertaken later this year, following the Palm Valley well, as part of the program to increase gas deliverability.

#### **Nockatunga Oil Fields, Cooper Basin (40.936% Interest)**

Total production from the 14 producing wells on the Nockatunga fields in the Cooper Basin of Queensland currently is approximately 330 BOPD. Production from each of the fields is declining naturally, and a further development well, Thungo-8, was drilled in October by the operator of the joint venture, Santos Ltd. The well intersected the productive Murta Formation as prognosed, was cased and suspended, and has been prepared for fracture stimulation before being completed for production.

#### **Aldinga Oil Field, Cooper Basin (50% Interest)**

The extended production test, which commenced in May 2003, on the Aldinga-1 well in PEL 95 in the South Australian Cooper Basin, is continuing. The well initially flowed at a sustained rate of around 80 barrels of oil per day from Cadna-Owie Formation sands, but had subsequently declined to a rate of around 55 barrels of oil per day by the end of the quarter. The well will be fracture stimulated in the first quarter of 2004 in an endeavour to increase deliverability.

### **AUSTRALIAN EXPLORATION**

Magellan, a 35% interest holder and Operator of the adjacent WA-288-P and WA-311-P joint ventures in the Browse Basin on the North West Shelf, offshore Western Australia, undertook a re-evaluation of the hydrocarbon prospectivity of the permits following the drilling of the Strumbo-1 well in WA-288-P in early 2003. The Company continued its farmout program for the adjacent exploration permit WA-287-P (Magellan interest 100%).

Magellan is also seeking farminees to participate in the drilling of the Sheila prospect in WA-291-P in the Carnarvon Basin, offshore Western Australia. Magellan has farmed out a further 35% interest in the permit to Tap Oil, thereby reducing its interest from 85% to 50%.

The Company currently holds a 50 percent interest in each of exploration permits WA-306-P and WA-307-P in the Barcoo Sub-Basin located in the southwest portion of the Browse Basin. Data from the Floreanas-Plazas 2D seismic survey are being integrated into the geological and geophysical interpretation of the area. Agreement, in principle, has been reached with Antrim Energy Australia, Operator of the joint ventures, to fund the drilling of the South Galapagos-1 well in WA-306-P to earn a further 37.5% interest in the permit. Magellan's interest in WA-306-P will reduce to 12.5%. Drilling is planned for later this year.

Magellan (37.5% interest), Beach Petroleum (Operator) and Cooper Energy (under a farmin arrangement) spudded the Semaphore-1 well in PEL 110 in the Cooper Basin of South Australia on 19 October 2003. The well reached a Total Depth of 2518 metres (measured depth) but failed to encounter any significant hydrocarbons and was plugged and abandoned.

Magellan (50% interest) and Beach Petroleum (Operator) also drilled the Waitpinga-1 well in exploration permit PEL 94 and the Seacliff-1 well in PEL 95 in the Cooper Basin. Waitpinga-1 spudded on 8 November 2003 and reached a Total Depth of 1740 metres. The well did not encounter significant hydrocarbons, and was plugged and abandoned. Seacliff-1 spudded on 28 November and reached a Total Depth of 1684 metres. A Drill Stem Test over the interval 1115 to 1123 metres in the Murta Member recovered 6 barrels of muddy water. The well was plugged and abandoned.

Exploration well, Callisto-1, which spudded on 6 November 2003, following the Thungo-8 development well, was drilled to evaluate the exploration potential of the ATP 267P area which is adjacent to the Nockatunga production leases. The well reached a total depth of 1877 metres and was plugged and abandoned after failing to encounter significant hydrocarbons. Licence ATP 267P has been renewed for a further term of four years.

Magellan (50% interest) and Novus Petroleum (under a farmin arrangement) drilled the Gregory River-3 well in the northern portion of ATP 613P in the Maryborough Basin, Queensland, in mid-2003. The well failed to encounter significant natural gas flows, and Magellan and Novus are assessing the remaining potential of the permit area.

## **INTERNATIONAL EXPLORATION**

### **United Kingdom**

The Company holds a 45 percent interest in petroleum exploration and development licences PEDL 098, PEDL 099 and PEDL 113, a 33.3 percent interest in PEDL 112 and a 50% interest in PEDL 125 and PEDL 126 in the Weald-Wessex Basins of onshore southern England. The licences are operated by Northern Petroleum of the UK, and evaluation of these areas continued.

## New Zealand

Magellan (100% interest), through its wholly-owned subsidiary, Magellan Petroleum (NZ) Limited, was granted the offshore exploration permit PEP 38225 in the Great South Basin to the south of the South Island of New Zealand. Award of PEP38225 provides a relatively low cost expansion into a high risk/high reward exploration area. Magellan also holds a 100% interest in the adjacent exploration permit PEP 38222 in the Great South Basin and a 25 percent interest in exploration permit PEP 38256 in the onshore Canterbury Basin of the South Island. Evaluation of these licence areas is ongoing.

Magellan Petroleum (NZ) Limited holds a 25% interest in exploration permits PEP 38746, PEP 38748 and PEP 38753 and a 12.5% interest in prospecting permit PPP 38761 in the onshore Taranaki Basin of the North Island of New Zealand. A two well exploration program was undertaken in PEP 38746 and PEP 38753 to evaluate the Mt Messenger Formation in these areas, which is oil productive elsewhere in the Taranaki Basin. Wawiri-1 spudded in PEP 38753 on 7 September and reached a total depth of 1350 metres (measured depth). The Bluff-1 well spudded in PEP 38746 on 12 October and reached a total depth of 1459 metres (measured depth). Neither well encountered significant hydrocarbons in the Mt Messenger sands, and both wells were plugged and abandoned. Evaluation of the remaining areas is continuing.

## FINANCE

Expenditures incurred in Australia and overseas on exploration, appraisal and development activities during the December 2003 quarter, totalled \$6,405,000. All figures are unaudited.

Yours faithfully,



**T.G. Davies,**  
**General Manager.**