



# Australian Oil Company Limited

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## **QUARTERLY ACTIVITIES REPORT QUARTER ENDED 30 JUNE 2011**

### **SUMMARY OF OPERATIONS**

#### **HOOD - FRANKLIN GAS PROJECT SACRAMENTO CALIFORNIA (55%)**

SACGASCO LLC, which is a wholly owned subsidiary of AOC, is the operator of this project.

Drilling operations have commenced and the Paul Graham rig is expected on location and to commence operations on 1st August 2011

The Hood-Franklin Gas Field (HFGF) is located 12 miles south of the Californian Capitol of Sacramento. The HFGF comprises the Whitney #1 gas production well and the cased and suspended Whitney #F-1 well situated on 640 acres.

The Whitney #F-1 well was drilled to a depth of 10,562 feet (3,220 metres) and encountered over 350 feet (107 metres) of significant gas shows. Due to severe drilling difficulties wire line logs and flow testing were unable to be carried out.

AOC will earn its interest in the HFGF by funding a sidetrack and completion of the Whitney #F-1 well which is currently budgeted to cost is US \$1.1million.

AOC will receive 80% of the revenues from a successful well up until it has recovered all of its expenditure.

A Farmout Agreement has been finalized in respect of 20% working interest in this well and the new participant Calog LLC will pay \$A418,000 of the initial \$US1,042,000 and thereafter 20% of all costs.

The current operator of the HFGF estimates potential flow rates of 3 to 6mmcf per day and 8 to

15Bcf of possible recoverable reserves from a successfully completed Whitney #F-1 well. Assuming commercial flow rates from Whitney #F-1 the Joint Venture plans to drill at least another four production wells which are estimated to have similar flow rates and reserves.

The HFGF currently has an existing gas sales contract in place and is selling gas into the local grid.

### **LOS ALAMOS OIL PROJECT (56.25%)**

Los Alamos Oil LLC (LOA) a wholly owned subsidiary of AOC, has entered into a farmin agreement for approximately 3100 leased acres located in Los Alamos, Santa Barbara County, California. The terms of the farmin provide for LOA to pay 75% of the cost of a completed producing well to earn a 75% interest in the total leased area which interest reduces after repayment of LOA's cost of drilling and completing the well to a 56.25% working interest. Excluded from the agreement are certain shallow existing producing and adjacent areas.

It is anticipated that the well will be drilled in October this year.

The proposed well will be drilled to approximately 12,000 feet positioned updip from an existing well drilled in 1986 by Sun Oil which encountered extensive oil shows in the primary objective being the Monterey shale target. The Monterey Shale is the main producing oil reservoir in California. LOA has an option to farmin into an additional adjacent leased area comprising approximately 1800 acres on similar terms.

### **MANKINS RANCH OIL PROJECT CALIFORNIA (35%)**

AOC holds a 35% interest in and is joint manager of Excelaron LLC, the owner of the oil leases at Mankins Ranch which is located approximately 20 mile east of Arroya Grande in California.

United Hunter Oil and Gas Corp, a TSX listed Canadian based corporation, holds the remaining 65% interest in Excelaron LLC.

An Environmental Impact Report (EIR) was lodged on 29 July 2009 with the County of San Luis Obispo for a Conditional Use Permit to install up to 12 wells on approx 260 acres together with the production facilities for up to 1000 barrels of oil per day.

In addition the joint venture has approximately 1200 acres of leased mineral rights adjacent to the project area which is the subject of the Permit Application.

The draft Environmental Impact Report has been released by the County and is currently undergoing a detailed review by all parties which should be concluded by end of August. Following the release of the EIR, the Permit Application will be determined by the boards of Commissioners and Supervisors of the County of San Luis Obispo.

## **PORTER RANCH — CALIFORNIA (45% working interest)**

The Porter Ranch leases, comprising approximately 9000 acres, are held by Alamo Creek Oil LLC (Alamo) a Californian incorporated company, 45% owned and jointly operated by AOC and 45% by its Mankins Ranch partner United Hunter Oil Gas Corp (UHO) and 10% owned by CALOG LLC . The leases were briefly explored in the 1980's by Philips Petroleum Company (PPC) who drilled one well and completed extensive roadworks and well pads for 2 well sites prior to abandoning due to depressed oil prices. There has been no subsequent exploration since that time. Assuming that PPC located these 2 well sites on valid structures it is planned that 2 exploration wells would be drilled once approvals are granted by the County which is not expected until calendar year 2012.

PPC drilled the only well on the Porter Ranch in 1984 which tested oil from 3 separate zones before encountering drilling problems and being plugged and abandoned. Alamo is currently evaluating the economics of re-drilling this well.

Adjacent wells have tested oil ranging from light (30 API) to heavy (15-18API), some with associated gas and there are numerous surface oil seeps. Within the leased area there are currently 2 anticlinal structures which have only be tested at their extremities. The forward work program includes acquiring all historical well and seismic data prior to the possible acquisition of new seismic data over the anticlines.

The Huasna Basin contains thick sequences of oil prone Monterey Formation and is considered one of the most under explored basins onshore California.

## **PEL 182**

### **Onshore Petroleum Exploration - Cooper Basin South Australia 7.5 working interest.**

AOC's 7.5% interest is subject to a farmout to Dome Petroleum. The documentation for the registration of this AOC interest is with PIRSA and negotiations are taking place to finalise the farmout to Dome.

## **EP 435**

### **Onshore Exmouth Sub Basin Western Australia 17% working interest.**

There has been no change in the activities in this permit. The joint venture will review the proposed work program following the drilling of the Bee-Eater well in an adjacent permit on an overlapping structure.

## **TIMOR OIL LTD 50%**

### **Onshore East Timor**

At this time there is no legislation in place in East Timor regarding onshore oil exploration and it is not possible to predict when any application for licences may take place. During the quarter our confidential study group partner exercised its option to withdraw.

G Jagelman  
Managing Director  
20<sup>th</sup> July 2011