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The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
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Sydney NSW 2000

## **Report for Quarter Ended 30 June 2009**

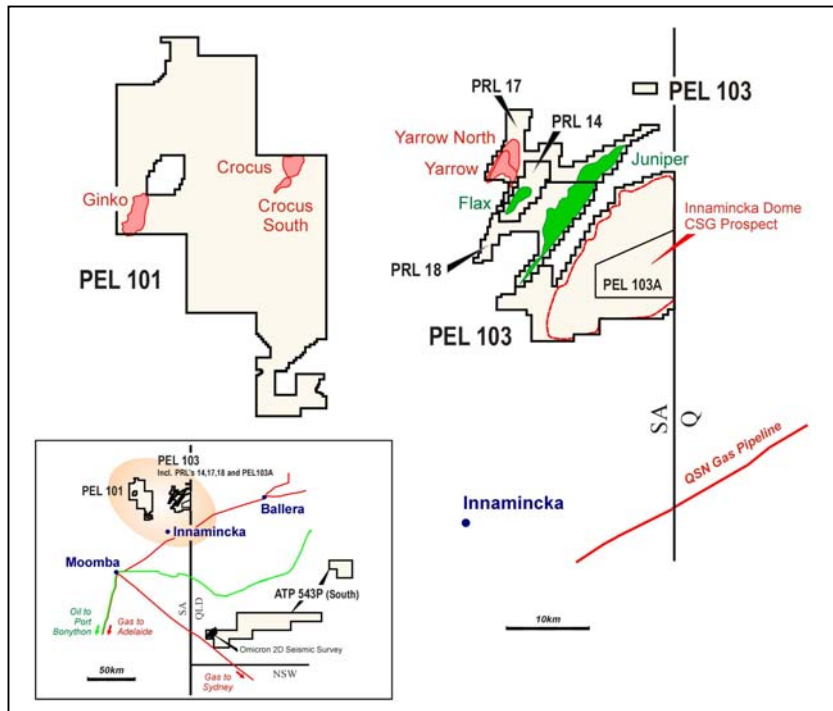
### **Highlights**

- Production of 7000 bbls of oil from the Flax field, with the field subsequently shut in for facilities enhancements
- Detailed field simulation and modelling activity undertaken on Flax field to understand the potential for further development and increased production
- Safe & successful installation of Flax facility infrastructure upgrades
- Preparation for the Coal Seam Gas core hole exploration program on the Innamincka Dome. Drilling commencement remains scheduled for August 2009
- Conservation of cash reserves to facilitate potential new venture or acquisition opportunities.

### **Core Operations**

During this period, Innamincka Petroleum ("INP") continued its focus on its core operational activities within the Cooper Basin. Major objectives have been to:

- Facilitate acceleration of the coal seam gas drilling program to take advantage of buoyant CSG market
- Review the technical understanding with a view to expanding production from the Flax field, while positioning the field for future exploitation



A summary of the key activities are as follows:

### **CSG Project (37.5% Innamincka)**

Encompassing areas within both PEL 103 and PEL 103A, the Innamincka Dome area is the target area for the upcoming drilling program. Three coal seam gas core holes have been proposed in order to provide additional information on extent of the coal resource, coal thickness, gas content and productivity.

Preparations for this upcoming initial drilling phase were undertaken during this quarter. Activity focus was on planning and permitting, with the drilling contractor now selected, environmental assessments complete and permit applications currently under consideration by the regulatory authorities.

Drilling is scheduled to commence in August 2009 for a period of 2 months. INP will be carried through this phase under the terms of the farmin agreement with AGL Energy Limited.

### **PEL 103 (37.5% Innamincka)**

Following partial relinquishment in early 2009, PEL 103 is now in two parts.

Northern PEL 103 contains the Banyan prospect updip of the Sprigg South 1 well. No activity was undertaken during the reporting quarter.

The southern and larger portion of PEL 103 partially covers the Innamincka Dome CSG area of potential.

One core hole will be drilled in the Innamincka Dome CSG area as part of the 3 well CSG program. Field activity for the period included completion of environmental assessments.

### **Farmout Blocks within PEL 103**

#### **PEL 103A Aspen Block (37.5% Innamincka)**

Two core holes will be drilled in the Aspen Block of the Innamincka Dome CSG area, as part of the 3 well CSG program. Field activity for the period included completion of environmental assessments.

#### **PRL 14 (37.5% Innamincka)**

PEL 14 encompasses the Flax field.

### **Production Operations**

Production testing of the Flax Field continued during the quarter.

Cumulative production was 6798 barrels of oil, a decrease of 55% compared to the previous quarter due to the field being shut in on the 22nd May, as foreshadowed in the first quarter report, in readiness to commence the installation of the final elements of the production facilities, notably the Group Separator and gas-fired power generator.

Average production rate was 133 bopd whilst the field was on production.

Installation of the Group Separator and generator has progressed as scheduled. Project practical completion was achieved by the end of the quarter. In parallel, pressure gauges were installed in the key producing wells to obtain pressure build-up data to better characterise the communication within the reservoir.

During the quarter INP commissioned Resource Investment Strategy Consultants (RISC) to carry out a dynamic reservoir simulation study of the Flax Field. It should be noted that RISC has previously carried out an independent volumetric assessment of the Flax Field for INP. The study's objectives were to evaluate depletion options including further infill drilling and/or gas re-injection.

Conclusions to date are:

- History matching of the field performance was difficult due to the low formation permeability and porosity
- The most significant history matching parameter was reservoir continuity. The field history could not be matched without introducing barriers to horizontal flow.
- A significant portion of the Tirrawarra reservoir appears to be in low permeability regions which cannot support flow (with or without gas injection)
- A range of non-unique history matches were obtained, and forecasts with and without gas injection have been prepared

Additional activities are still required to complete the exercise. Further scenarios will be run to assess gas re-injection opportunities without the need for additional infield wells. A gas blowdown scenario is also being developed. Complete economic analysis of the preferred scenarios is also to be completed.

On completion of these activities the Joint Venture will review overall the outcomes with a view to confirming the forward development plans.

### **PRL's 17 & 18 (37.5% Innamincka)**

PRL's 17 and 18 were awarded on the 28<sup>th</sup> January 2009 to provide the JV with secure tenure over the Juniper and Yarrow discoveries.

There has been no activity in these permits during the quarter.

### **PEL 101 (25% Innamincka)**

Joint venture meetings held during the period requested a reanalysis of drilling results to date, with a focus on determining a possible forward program to demonstrate gas recoverability.

An application has been made to PIRSA for a 6 month period of suspension of the permit.

No field activity was conducted during the reporting period.

### **ATP 543P South (50% Innamincka)**

Processing of the 131 km 2D seismic survey over the Omicron prospect area is complete, and the data has been interpreted with forward program yet to be determined.

Santos as holder of the ATP 543P permit has submitted to the Queensland Department of Mines and Energy the end of term relinquishment proposal and renewal request.

The joint venture is awaiting a response from the Queensland Department of Mines and Energy in regard to its application for a new permit term. If granted, it is anticipated that the permit will take effect as at 31 January 2009.

## **Corporate**

### **New Ventures**

INP is conserving the cash reserves generated from the farmout activity earlier in 2009 to actively target acquisition and new venture opportunities. These opportunities will be focused on either generating near-term cashflow, or providing a diversified asset base positioned to generate medium to long term growth.

Growth through acquisition will continue to be a focus of INP's activities in the near future.

### **Forward Program**

Planned activities for the next quarter are:

- to undertake core hole drilling activities in the CSG program on the Innamincka Dome.
- to develop an optimised Field Development Plan for the Flax Field from the current static geological modeling and dynamic reservoir simulation activities
- to continue to evaluate performance of the Flax field;
- to identify additional new venture and growth opportunities

A handwritten signature in black ink, appearing to read 'David Kinsman', with a long horizontal flourish extending to the right.

David Kinsman  
Chief Executive Officer