



ASX Announcement

December 19, 2006

AWE's Pateke-3H starts drilling

AWE Ltd ("AWE") reports that the development drilling programme for the Tui Area Development has commenced. The first well in the programme, Pateke-3H, spudded at approximately 0700 hours on December 16, 2006. At 0600 hours today, the well was preparing to run surface casing at a measured depth of 1,500 metres.

The Tui Area Development drilling campaign is being undertaken on a "batch-drilling" basis, to optimise the sequencing of drilling operations and the tie-ins of flowlines to the subsea development wells. The "batch drilling" will involve the drilling of the upper sections and installing subsea wellheads and trees on at least three of the planned four wells, prior to drilling the deeper sections of the wells, including the horizontal sections within the oil reservoirs.

Following the cementing of the surface casing and the installation of the sub-sea tree, the Pateke-3H well will be temporarily suspended and the drilling rig will be relocated to allow similar activities to be completed on the Tui-2H and Tui-3H wells. Tui-2H is planned to be the first well drilled to total depth and completed for hook-up to the production facilities.

The Tui Area Development is located within PMP 38158, in the Taranaki basin, approximately 50 kilometres offshore of the west coast of the North Island of New Zealand. First oil is expected from the development by June 30, 2007, and when fully commissioned, a production rate peaking at 50,000 barrels of oil per day is anticipated.

The project remains on-time and on-budget with the remaining key risks being abnormal drilling and/or weather conditions.

Participants in PMP 38158 are:

AWE *	42.5%
Mitsui E & P New Zealand Limited	35.0%
Stewart Petroleum Company Ltd ("New Zealand Oil & Gas")	12.5%
WM Petroleum Ltd ("Pan Pacific Petroleum NL")	10.0%

* New Zealand Overseas Petroleum Pty Ltd (22.5%)
AWE New Zealand Pty Limited (20.0%)

For further information please contact:

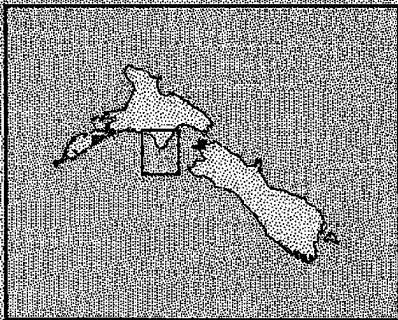
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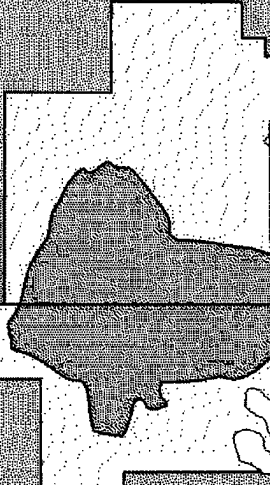
December 2006

Taranaki Basin

Tasman Sea



PEP 38482
AWE 40%
Operator



PEP 38481
AWE 40%
Operator

PEP 38483
AWE 44.317%
Operator

RMP 38158
AWE 42.5%
Operator

Tieke Flank

Tui Area
Oil Fields

Hector Prospect

Hector South Sub Block
(PEP 38483)
AWE 42.5%
Operator

