

15 May 2006



Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

via electronic lodgement

Dear Sir/Madam,

Drilling Commences on Tennis 1 Well

Livingstone Petroleum is pleased to announce that drilling of the Tennis 1 well commenced on schedule at 10.15am Friday 12 May (local Californian time) and the well was at a depth of 2,710 feet at 3.30pm Sunday 14 May. The Operator of Tennis 1, the Nahabedian Exploration Group LLC (NEG), expect the well to take 15 days to drill to an approximate total depth of 9,500 feet, with the first Forbes target at 7,900 feet.

The Board of Livingstone is delighted with the opportunity to continue to build its petroleum portfolio in the Sacramento Basin, California. The Company already has a interest in the Basin through the Forbes joint venture where it has a 50% interest in 13,186 acres including three gas discoveries. Since listing on the ASX last year, Livingstone has participated in two wells for two discoveries, a 100% exploration drilling success rate. This success rate gives the Company confidence to increase its exposure to this highly prospective gas province. The Tennis prospect is regarded as a higher risk prospect but the upside through follow-on drilling opportunities is substantial and consistent with Company's policy of growing the asset base in its core area of focus.

Background

Livingstone is earning a 40% working interest in the Tennis 1 well, which is located in Sutter County in the Sacramento Basin. The well will test multiple Forbes sandstone formations with 1-8 bcf potential for each target. The Tennis prospect was developed on 2D seismic data and each target zone has seismic Amplitude and AVO anomalies. The drill site is only 2 kilometres from gas pipeline infrastructure and is located about 8 kilometres south of Livingstone's existing Forbes joint venture project area.

If the Tennis well is successfully completed, Livingstone will earn an additional 53.33% working interest in approximately 5,788 acres surrounding the well site, for no additional consideration. This will enable the Tennis participants to drill several follow up and extensional targets in the area, which is covered by 2D seismic data with numerous Amplitude and AVO anomalies.

The other participants in the well are NEG with a 40% interest and Pacrim Energy Limited (ASX code: PRE) with a 20% interest.

Craig Burton
Executive Director

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