



27 October 2006

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

via electronic lodgement

Dear Sir/Madam,

Spudding of South Buckeye 1-18 Well

Livingstone is pleased to confirm the commencement of the new drilling program at the Forbes Project with the spudding of the South Buckeye 1-18 well. The Forbes Project is located in the Sacramento Basin which is located in the northern part of California, USA.

The Kenai # 3 rig began drilling the South Buckeye 1-18 well at 2330 hours on 24 October 2006 (Pacific Coast Time, USA) and has drilled to a depth of approximately 2,003 feet and in the process of setting surface casing as at 26 October 2006 (Pacific Coast Time, USA). The drilling is expected to take approximately 15 days to reach the total well depth of 9,400 feet. Immediately following the drilling of the South Buckeye prospect, the rig will be moved to the Heavenly 2-28 well, which is also expected to take approximately 15 days to reach a total depth of 9,400 feet

The South Buckeye 1-18 well and the Heavenly 2-28 well are both targeting gas bearing stratigraphic traps in the Forbes formation, a prolific gas reservoir in the region, and the prospects are analogous to the gas discoveries made at the Larner 1-12 and 2-12 wells. An additional 2 follow-on targets for both the Buckeye and Heavenly prospects have been identified and permitted for drilling if the initial wells are successful. The South Buckeye and Heavenly prospects are respectively 14 and 7 kilometres southwest of the producing Larner wells.

Background

Livingstone holds a 50% interest in the Forbes Project exploring for natural gas in the Sacramento Basin of California. This area has produced gas from the Forbes formation since 1934 with cumulative production to date of 600 billion cubic feet of gas. The Forbes Project already has 2 producing wells within the project area, Larner 1-12 and Larner 2-12.

In addition to existing production from the two successful Larner wells, the Forbes Joint Venture has developed numerous drill prospects and many of these prospects have potential follow-on targets should the initial prospect be a successful discovery. Besides the Forbes formation, the Joint Venture has identified significant prospects in the shallower Starkey/Winters formations around 4,000 feet and deeper Guinda formation below 9,000 feet.

Participants in South Buckeye 1-18 and Heavenly 2-28 wells are:

Orchard Petroleum, Inc. (Operator)	50%
Livingstone Energy, Inc.	50%

For further information please contact Brett Mitchell on +61 8 9324 1177.

The geological information included in this announcement is based on information provided by Mr Robert Rosenthal, a geologist employed as a technical consultant to the Company. Mr Rosenthal has practiced as a geologist in the petroleum industry for over 25 years. Mr Rosenthal has consented to the inclusion of the geological information in this announcement in the form and context in which it appears.

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