

INVESTOR PRESENTATION

“A Sacramento Basin Gas Story”

December, 2006



LIVINGSTONE
PETROLEUM LIMITED



Disclaimer

This presentation contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated.





Who Are We?

- Junior oil and gas company
- Listed on the ASX in September 2005
- Focussed on gas in the Sacramento Basin, California
- Major asset 50% working interest in the Forbes Gas Project
- Gas producer
 - Production expected to reach 2 to 4 mmcfd by Q1 2007
- Active explorer
 - Over 30 prospects identified in Forbes project area
 - Prospects 3D seismic generated
 - 100% success rate from 3 wells in 3D seismic area to date





Capital Structure and Management

Capital Structure

66m shares

17.5m options 30c Dec 2009

1.25m options 20c Dec 2009

Market cap ~ A\$24m

Directors

James Malone - Chairman

Craig Burton - Corporate Director

Michael Fry - Non-Executive Director

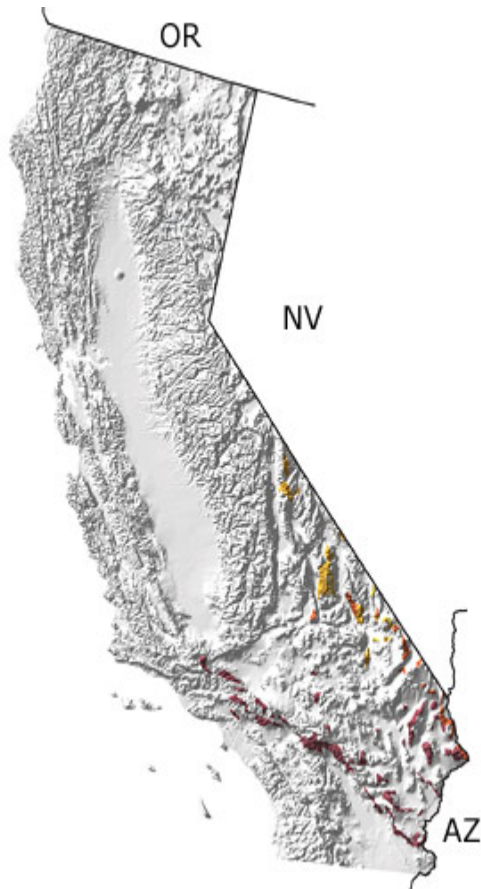
Technical Consultant

Robert Rosenthal





Why California?



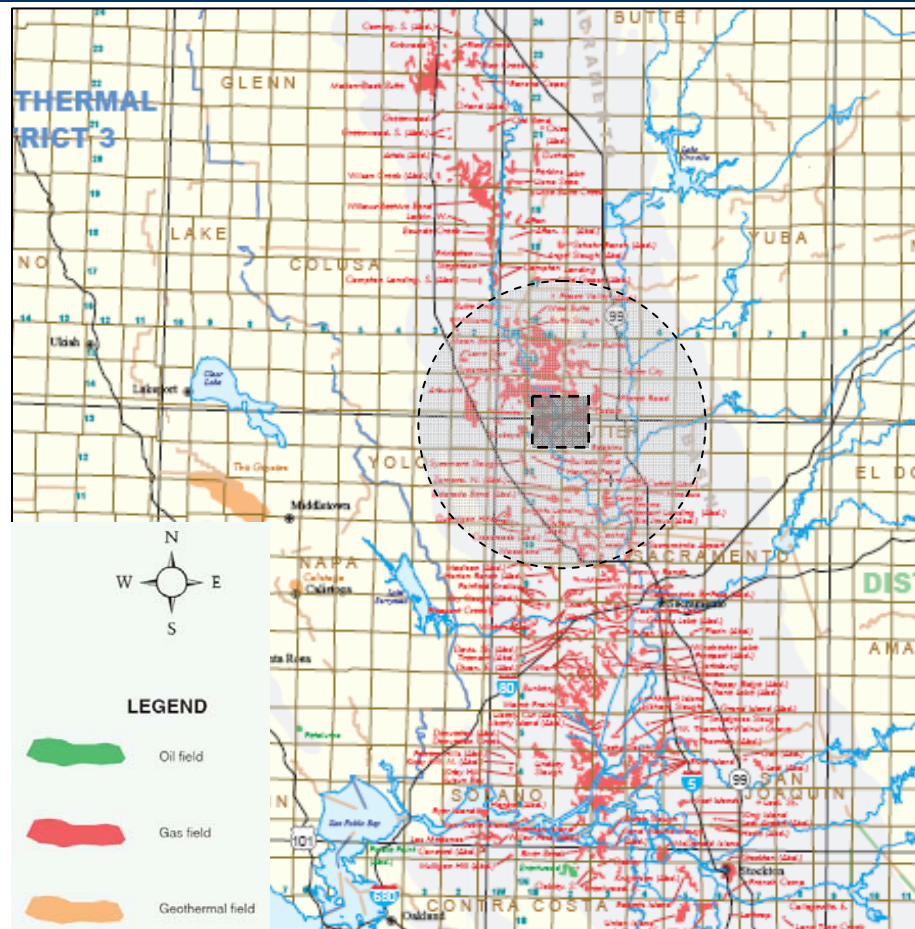
- **Prolific hydrocarbon province**
 - Fourth-largest energy producing state in the United States, behind Texas, Louisiana and Alaska
 - Over 50 major oil and gas fields
 - Produced 26 billion barrels of oil and 36 trillion cubic feet of gas
- **Excellent natural gas pipeline infrastructure**
- **Ranks second nationwide in total energy consumption**
 - Yet now produces a mere 16% of the natural gas it requires
- **Historical activity controlled by the major oil and gas companies**
 - High thresholds and prolonged low oil prices diverted attention to other regions in search of the next big prize
 - Few smaller operators chasing the opportunities in California
- **Significant untapped exploration potential**
 - Low cost, shallow drilling targets
 - Larger targets in new geological play types
 - Use of new technologies expands the opportunities
- **Attractive fiscal regime with low sovereign risk**





The Forbes Gas Project

- Located in the Sacramento Basin, California (inland from San Francisco)
 - More than 100 fields have been discovered in the Sacramento basin
 - Containing over 9.5 Tcf of gas
- Forbes Project is owned 50% by Livingstone and 50% by Orchard Petroleum Inc (Operator)
- Comprises 25 separate oil and gas leases covering ~ 15,000 acres
- Additional acres being acquired
- Area of mutual interest of ~ 40,000 acres
- Orchard Petroleum has a strong US based technical team with a track record of successful oil and gas exploration focused in California





Why is it so Appealing?



- Proven petroleum province
 - Gas production from Forbes formation since 1934
 - Approximately 1,300 wells drilled in the basin
 - Cumulative production to date of 600 Bcf
- Relatively shallow, low risk drilling; historical success rate in the province ~75%
- Large inventory of prospects and leads for drilling targets
- Extensive 3D seismic coverage
- Low drilling density to date in project area
- Extensive gas pipeline infrastructure
- Low development costs with quick lead times to production (upon any success)
- Targets in 1-5 Bcf range (upside to 10 Bcf) in Forbes
- One large higher risk prospect 50+ Bcf (Buckeye Creek) being evaluated
- Additional deeper “high impact” secondary targets



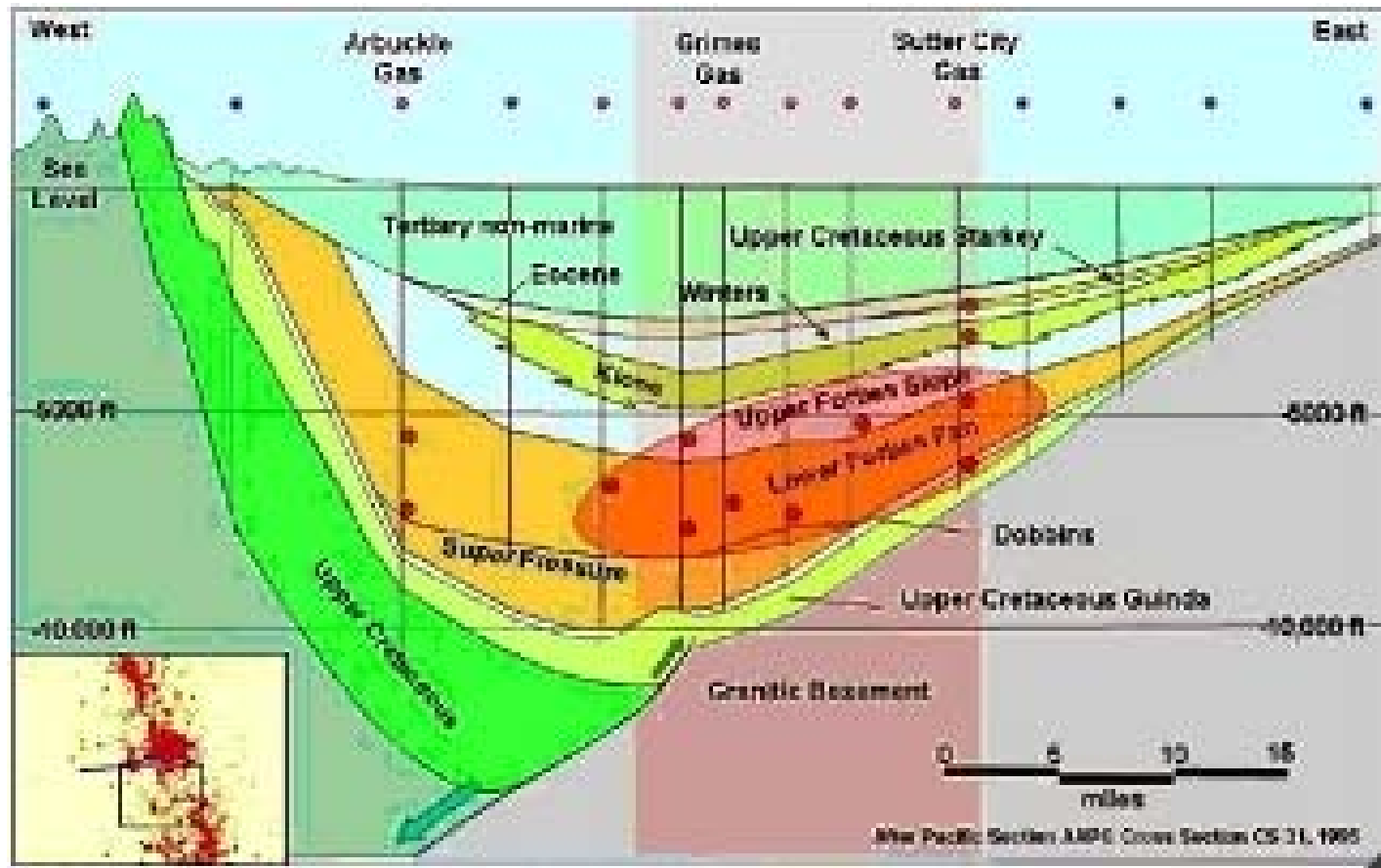
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Let's take a Closer Look

- Northern California is characterised by highly folded, faulted and fractured Cretaceous and Eocene-age rocks
- Multitude of stratigraphic and structural traps
- Careful processing and analysis of modern 3D seismic reduces risks
- Most dry holes are now drilled on a computer, not in the field





Multiple Pay Zones – Multiple Prizes

System	Series	Stratigraphic unit	Prod.	
Tertiary	Pliocene	Volcanic and nonmarine sedimentary rocks (Tehama fm)	☀	
	Miocene	Valley Springs fm	☀	
	Oligocene	Markey Canyon till	☀	
		Markey fm	☀	
	Eocene	Norbonville shale	☀	
		Domenique fm	☀	
		Capay fm/Princeton Canyon till (Hamilton sand)	☀	
	Paleocene	Meganoon shale/Meganoon Canyon till	☀	
		Martinez fm (McComick sand) Martinez Canyon till	☀	
	Cretaceous	Middle	Mokelumne River sande (Midland sand) (Third Massive sand) H & T shale	☀
Garzee shale Horno shale (Azevedo sand)			☀	
Upper		Starkey sand (K-1 sand)	Blossard sand bed Ragged Valley till bed Tracy sand bed	☀
		Sacramento shale/Delta shale		☀
		Winter sande	Winter sand Lathrop sand	☀
		Sacramento shale		☀
		Gone sand (Wild Goose sande)		☀
		Forbes fm		☀
		Guinda fm		☀
		Fanile, Sible, Yolo, and Venado fm		☀
Lower	Shasta fm	☀		
Jurassic	Upper	Knoxville fm	☀	

STARKEY

0.25-1 Bcf

4,000-5,000 feet

A proven gas rich interval throughout the area and on LPL acreage.

Drilling costs for the Starkey wells are substantially less expensive than the Forbes wells. Starkey wells have smaller target sizes, however, well economics and payouts can be good.

WINTERS

0.25-1 Bcf

4,000-5,000 feet

Similar to Starkey.

FORBES

1-5 Bcf

6,000-9,000 feet

The primary reservoir in the prolific Upper Cretaceous gas play in the Sacramento Valley.

Sandstone reservoirs will typically occur as 10-20 foot thick gross pay intervals with porosities in the range of 20-25%.

Reservoirs are complex and laterally discontinuous channel fill sands.

GUINDA

10+ Bcf

7,000-12,000 feet

These sands underlie the Forbes formation.

Not been heavily explored in the Sacramento Valley.

Recent Edge well confirmed the presence of Guinda potential.

Should be treated as upside to Forbes potential.





Target Production Growth

- 3 discoveries to date (Larner, Edge, South Buckeye)
- Aim is to achieve another 3 to 4 discoveries in 1st half 2007
- 6 typical Forbes discoveries will provide an initial production rate of ~ 9 mmcfpd for the Joint Venture (LPL's share is half)
- Representing JV cashflow of ~ US\$10m for the first production year
 - assuming net gas price of US\$6 per mcf and average BTU of 800
- Which funds a JV drilling program of 7 wells in the next year, expected to result in at least another 5 Forbes discoveries
- Which funds a bigger drilling program the following year, leading to more discoveries
- Target:- up to 50 producing wells over the next 5 years, self funded after the first 6 discoveries, with average payback per well less than 12 months





Larner 2-12

Operations Update

- A follow up to OPL's successful Larner 1-12
- Excellent discovery
 - Encountered double the predicted sand thickness (46 ft)
 - Size is 2 to 4 times pre-drill estimate
- Flow tested 2.8 mmcf/d dry gas potential
- BTU is acceptable but lower than expected
- Put on production in March 2006
- Production rate currently 1.8 mmcf/d, expected to increase to about 2 mmcf/d in coming months

Implications and Lessons Learned

- Reservoir thickness and quality is better than expected
- Took only four weeks from well testing to production
- OPL's technical targeting model appears to be working
- Shows the potential for positive upside size surprises in Forbes targets





Edge 1-10

Operations Update

- Tested the most easterly prospect on the Forbes acreage
- Successfully encountered gas in the primary Forbes and the secondary Guinda zones
- Combined flow rate of 1.6 mmcf/d
- Gas has high nitrogen content which results in low BTU content
- Low BTU is delaying development until discovery of more higher BTU gas in the Forbes project area
- Once production is achieved, the well will be economic with a likely payback of about 12 months

Implications and Lessons Learned

- Gas discovery in the secondary Guinda formation is the JV's first discovery in that particular formation
 - Opens up new exploration opportunities
 - Target sizes in the Guinda formation are generally larger in size but do have higher exploration risk
 - Dual highly prospective exploration targets significantly increases the potential value of the acreage held by the Forbes JV
- High nitrogen levels appear to be limited to the far easterly located areas on the acreage
- Latest drilling program focused in areas where previous wells indicate that nitrogen is not an issue
- New higher BTU discoveries will enable combined production with Edge





South Buckeye 1-18

Operations Update

- Successfully encountered gas in several Forbes zones
- Estimated net 10 to 15 ft in lower Forbes zone, indicative of a typical Forbes result
- Awaiting a completion rig to enable flow testing

Implications and Lessons Learned

- Several Forbes sandstone zones encountered, encouraging for the potential productivity of the area
- More will be known after flow testing





The Next Prospects

Heavenly

- Heavenly will be drilled to test two intervals in the Forbes Formation
- Recent proprietary reprocessing of seismic data in the area reveals strong seismic analogies
- If successful, it would upgrade two additional similar leads for drilling

Alpine Meadows (x2)

- Alpine Meadows will be drilled to test the shallower Starkey Formation sands, which have proven high quality gas production of several Bcf within the area
- This well will be drilled in an area of 3D seismic with strong amplitudes.
- Four additional similar leads have been delineated and will prove high probability of success if the first well is successful

Squaw Valley

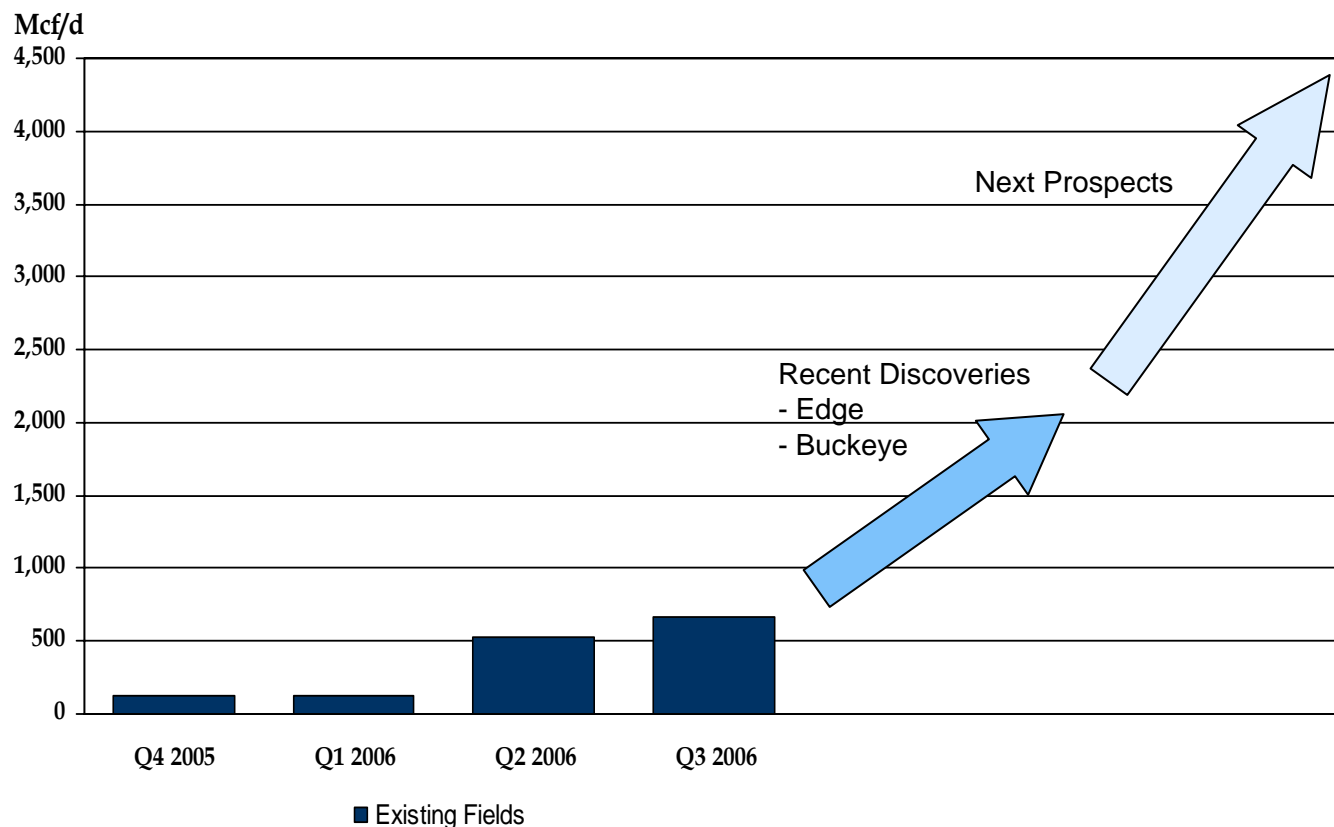
- Squaw Valley will test an interval in the Forbes Formation that produced almost 3 Bcf of high quality (>900 BTU) natural gas from nearby wells
- This well will be drilled in an area of 3D seismic with strong amplitudes
- If successful, it would upgrade three additional offset prospects
- Additional shallower potential in the Starkey sands can be tested in the first and subsequent offset prospects





Net Production Growth

- 2 existing discoveries remain to be placed on production
 - Edge
 - Buckeye
- Drilling success will result in a large increase in net production levels
- Revised strategy now targeting prospects with high BTU content
- Large inventory of follow-on targets will be high-graded in the event of success in any of the current prospects
- Access to existing nearby infrastructure will allow new discoveries to be rapidly put on production
- Successful pursuit of new projects is not factored into hypothetical production levels



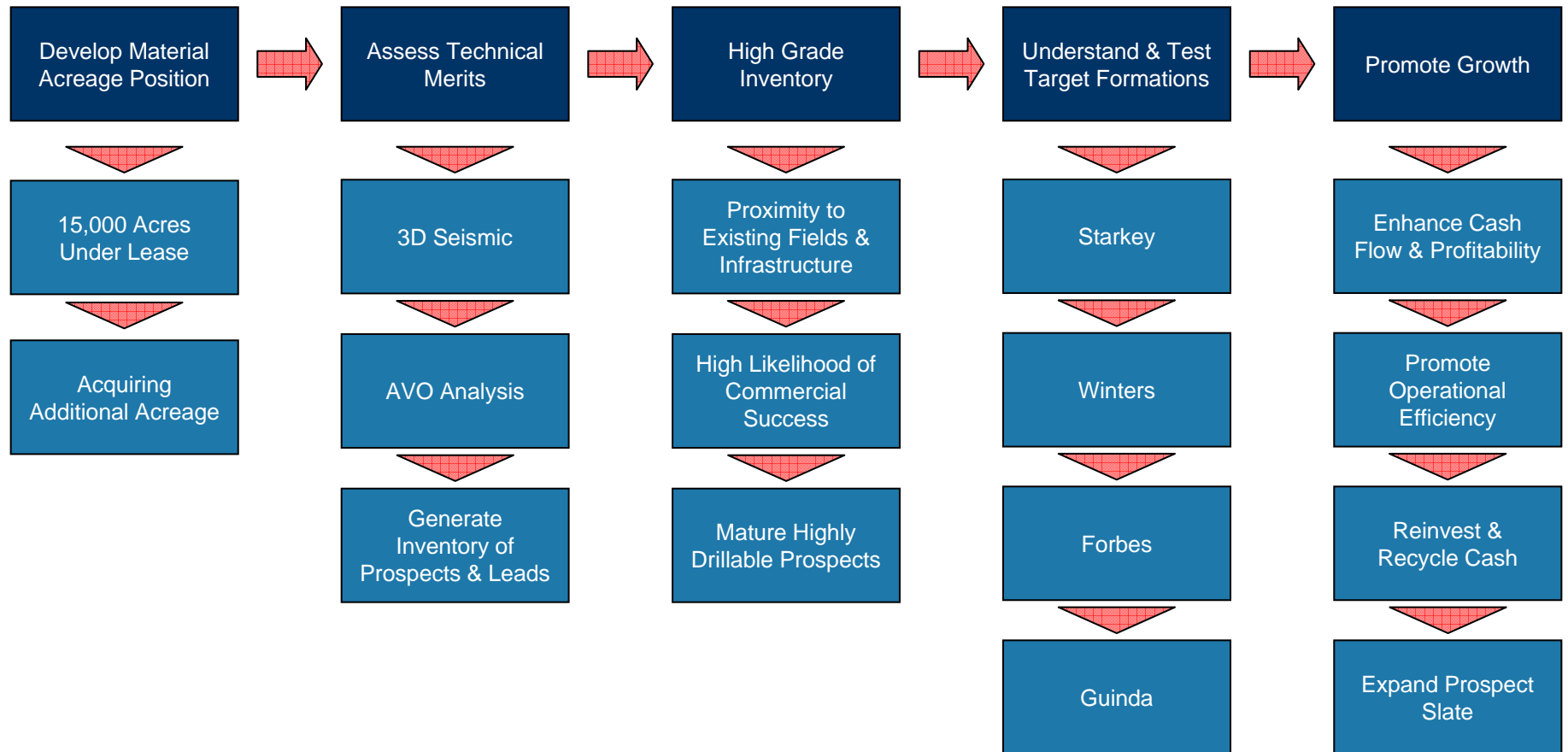
Notes:

Theoretical production rates are subject to exploration and appraisal





Forbes Exploration Strategy





Corporate Objectives

- 1 Stay focused on prolific Sacramento gas region
- 2 Drill out existing prospect inventory – 20 to 30 targets
- 3 Develop sufficient production to internally fund ongoing drilling programs
- 4 Expand acreage in project area
- 5 Develop more 3D generated prospects in new acreage to keep up targets and maintain growth
- 6 Build reserves and production base: target 50+ producing wells





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