



ASX / MEDIA RELEASE

ASX Code: MEL

30 March 2011

## **PILOT DRILLING PROGRAM PROGRESS REPORT**

Metgasco is pleased to provide an update on the current coal seam gas (CSG) multi-lateral drilling program.

Over the past month, Metgasco has installed the surface equipment and telemetry on Corella P18 and completed the surface pumphook up. Water production from this well has now been underway for approximately two weeks.

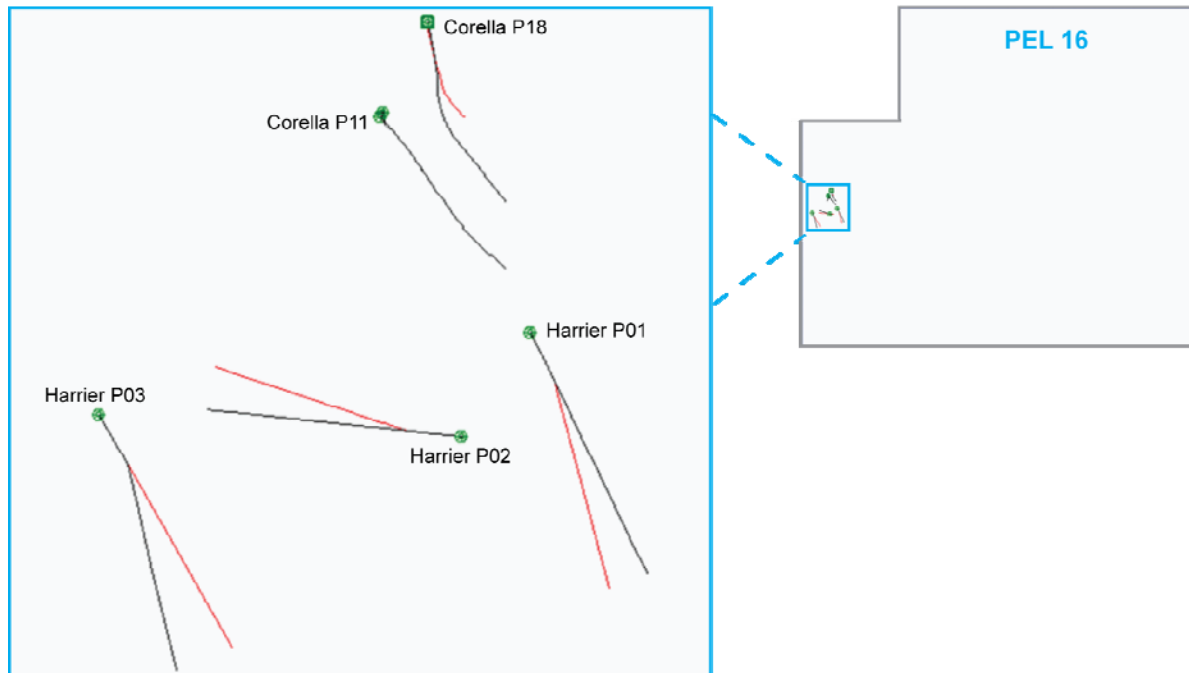
Corella P18 is making good water volumes of approximately 30 Bbls/day which is encouraging and consistent with the water production from the Company's lead pilot well Corella P11. Gas desorption commenced immediately with gas flows to surface and the well head pressure is currently above 100 psi. The Company is monitoring water production from this well and well head pressure build up. Metgasco intends to continue dewatering this well until we see a decline in water production. At this point we will commence production testing.

The Company has achieved a technical success in re-entering the Corella P18 well and drilling a sidetrack to 861metres MD as planned. The total length of the in-seam lateral is 607 metres.

The performance of Corella P18 to date provides further evidence that the gas reservoirs at this location are fully gas saturated, over pressured and produce low water volumes. These gas reservoirs have different technical characteristics to Queensland CSG reservoirs most of which tend to be under saturated and under pressured therefore requiring a significant dewatering effort before gas desorption commences.

Drilling commenced on the Harrier P01 multi-lateral well on 5 March 2011. The Company's goal is to complete two horizontal in-seam laterals. The first lateral has been completed at 1229 metres MD. This lateral has now been lined in preparation for future production testing. The rig is currently drilling ahead in the second lateral and is currently at 1150 metres MD.

## Location of Harrier Pilot Wells



---

## Background on Metgasco

[www.metgasco.com.au](http://www.metgasco.com.au)

Metgasco has a 100% interest in PEL 16, 13 and 426 in the Clarence Moreton Basin in NSW where we operate the largest acreage position in the basin. Metgasco currently has 2P gas reserves of 397 Petajoules and 3P gas reserves of 2,239 Petajoules from less than 10% of our acreage area. We are exploring for gas in coal seams, conventional and shale reservoirs and in 2010 discovered the Kingfisher gas field, the largest conventional discovery in NSW in over a century of exploration in the State. Metgasco is currently progressing its gas commercialisation agenda which includes gas and electricity supply to NSW and gas supply to Queensland. With gas in place resources likely to exceed the domestic markets requirements and sufficient to supply export scale projects, Metgasco is currently investigating LNG project development options.

### For further information contact:

David Johnson  
Managing Director

Glenda McLoughlin  
Chief Financial Officer

Address  
Level 9, 77 Pacific Highway  
North Sydney NSW 2060  
Tel: +61 2 9923 9100  
Fax: +61 2 9923 9199