

30 August 2012

## Success at Bauer-8 confirms major extension of Bauer Oil Field

- **Bauer-8 proves northern extension of Bauer Oil Field**
- **Thick, high quality 10 metres of net oil pay in Namur sandstone**
- **Two additional Bauer appraisal wells proposed in CYE 2012**
- **Further material increase in Reserves expected from Bauer Oil Field**

**Drillsearch Energy Limited (ASX: DLS)** is pleased to announce that the Bauer-8 appraisal/development well has definitively proven that the Bauer Oil Field extends far further to the north than previously mapped. Bauer-8 is to be cased and suspended as a future oil producer after encountering net oil pay in both the McKinlay and Namur sandstones. Bauer-8 was drilled by the PEL 91 Joint Venture which consists of Drillsearch 60% and Beach Energy as Operator 40%.

The Bauer-8 well has confirmed the extension of the field further north, intersecting 10 metres of high quality Namur net oil pay over an 18 metre gross interval. The well intersected the target McKinlay, Namur and the Birkhead pay zones high to pre-drill estimates. Bauer-8 encountered excellent quality reservoir in the the primary target McKinlay and Namur pay zones approximately 5 to 6 metres high to pre-drill prognosis. Bauer-8 was drilled 480 metres north of Bauer-5, the previous most northerly well in the field and 1.2 km north of the Bauer-1 discovery well (see attached map).

The Bauer-8 result has not only established that the Bauer Oil Field extends significantly further north than currently mapped, but that the high quality Namur pay zone remains thick well into this northern extension. Flow rates from the Namur reservoir are expected to be in line with those of previously completed wells. For comparison, on initial production testing, Bauer-1 flowed at a rate of 6,048 BOPD.

Oil shows in the Birkhead formation were also encountered in Bauer-8 over a three metre interval but the well location appears to have intersected the Birkhead interval in a poor quality reservoir, outside or on, the edge of the main Birkhead Channel oil pay interval encountered in the Bauer-5 appraisal/development well.

Drillsearch Managing Director, Brad Lingo said, "This is an absolutely fantastic result. It was only four days ago that we announced a major increase of 2.2 mmbbls in gross 2P Reserves for the Bauer Oil Field, based only on the results of the Bauer-5 well. This drilling program goes right to the heart of Drillsearch's strategy of delivering increases in Reserves, production and cash flow."

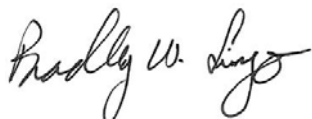
Bauer-8 was the last planned well from what has become a successful four well appraisal and development drilling program aimed at defining the overall extent of the Bauer Oil Field. With the success of the Bauer-8 well, the Operator has already proposed that an additional two Bauer appraisal wells are drilled by the end of CY 2012.

"The first stage of our FY 2013 appraisal and development drilling program in PEL 91 has been a tremendous success for the Company. Not only has this drilling program proven the Bauer Oil Field is much larger than originally expected, but this success will also contribute to a further uplift in Reserves, on top of the independent audit results we announced this week."

With the drilling of the Bauer 5, 6, 7 and 8 wells complete, Drillsearch will be undertaking a comprehensive remapping of the Bauer Oil Field to incorporate the results of the very successful first stage appraisal drilling program. The Company believes that the additional results from the Bauer 6, 7 and 8 wells will have a material impact on the overall Reserves of the Bauer Oil Field and for the Company.

This remapping work is already underway and Drillsearch has already engaged Gaffney, Cline and Associates, Ltd (GCA) to conduct a further updated independent Reserves audit review to incorporate these latest drilling results. The Bauer 6, 7 and 8 well results were not included in the GCA independent review announced on 27 August 2012 as these wells were drilled after the effective date of the report. The Company believes that the results of each of these wells will have a positive and significant impact on the overall Reserves of the Bauer Oil Field. Drillsearch anticipates that this further update will be completed by the end of the September 2012 quarter.

Yours faithfully



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**About Drillsearch Energy Limited** (ASX: DLS), which listed on ASX in 1987, explores and develops conventional and unconventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's most prolific onshore oil and gas province, the Cooper-Eromanga Basins in South Australia and Queensland. The company's focus is on 'brownfields' exploration where geological risk is reduced and there is access to existing infrastructure, ensuring that any discoveries can be brought into production.

**Competent Person Statement**

Information on the Reserves and Resources in this release has been compiled by Mr. David Evans, Chief Technical Officer of Drillsearch who has given his consent as of the date of this release to the inclusion of this statement and the information in the form and the context in which they appear in this release.

## PEL 91 Western Flank Oil Fairway – Bauer Oil Field Development

