

19 March 2013

## **New Wet Gas Sales Agreement with Cooper Basin Joint Venture**

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- **Additional gas sales underpin Wet Gas Project expansion**
- **Wet Gas Project to resume production shortly**

### **New firm gas sales agreement with Cooper Basin JV**

The PEL 106B Joint Venture (Beach (BPT) 50% and Operator, DLS 50%) has entered into a new gas sales agreements (GSA) with the South Australian Cooper Basin (SACB) Joint Venture (Santos 66.60%, Beach Energy 20.21% and Origin Energy 13.19%) for wet gas production from the Western Cooper Wet Gas Project in PEL106B (see map). The new GSA follows the encouraging production history of the Middleton and Brownlow fields to date. It also demonstrates the SACB Joint Venture's willingness and commitment to invest in expanded gas gathering facilities which are necessary to accommodate the significant additional gas production from the Project.

The GSA provides for the sale of 10 BCF of raw gas on a firm basis for a three year term. The Maximum Daily Quantity (MDQ) that can be delivered under the GSA is 35 mmscfd of raw gas. Raw gas sales of 10 BCF are on a firm supply and purchase basis, and additional quantities over and above this will be supplied on an as-available basis up to the MDQ.

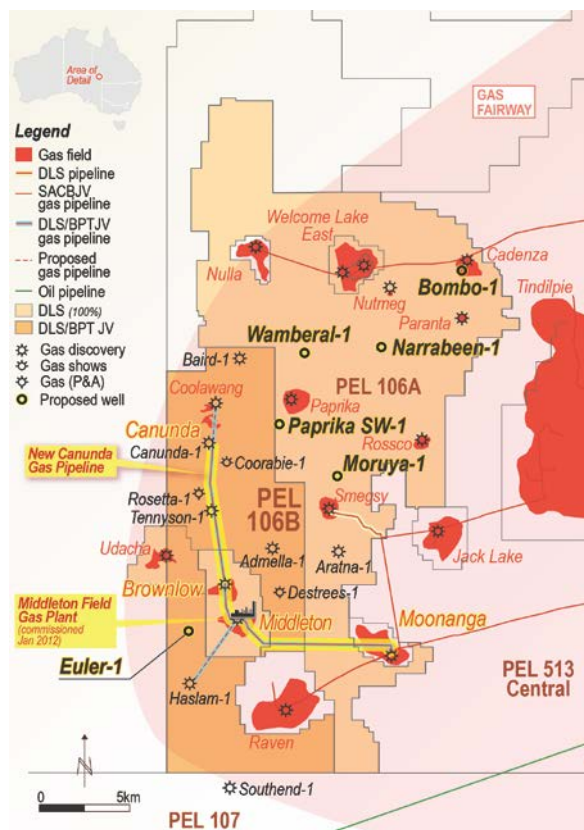
Under the GSA, the PEL 106B Joint Venture will sell untreated raw gas consisting of condensate, LPG and sales gas, and will be paid for each component. Condensate and LPG pricing will be linked to international product pricing, less specific transport and processing charges. Gas sales are priced on a confidential basis, reflecting transport and processing costs of the SACB Joint Venture in producing sales gas quality for onward sale.

Drillsearch Managing Director, Brad Lingo said, "The new GSA provides the Company with greater certainty over our forward production and cash flow from the Western Cooper Wet Gas Project for the next three years. The additional gas sales also underpins the tie-in of other discoveries and expansion of production capacity at the project, bringing Drillsearch another step closer to becoming a significant gas supplier into the Eastern Australian gas markets."

### **Additional gas sales underpin wet gas project expansion**

Based on the ongoing discussions with the SACB Joint Venture regarding additional gas sales, the PEL 106B Joint Venture commenced significant works to increase the overall production capacity of the Western Cooper Wet Gas Project by completing and connecting the Canunda Wet Gas Field. Commissioning of the tie-in of the Canunda Wet Gas Field to the Middleton Gas Plant is expected to be completed during the June 2013 quarter.

Drillsearch Managing Director, Brad Lingo said, "Drillsearch is the only independent oil and gas company outside of the SACB Joint Venture that has historically focused on exploring for and proving up gas resources in the Cooper Basin. It is a real milestone for Drillsearch to get the Middleton, Brownlow and Canunda Wet Gas discoveries into production."



**Western Cooper Wet Gas Project**

## Wet Gas Project back in production

Production from the Wet Gas project resumed on 17 March 2013. Gas, condensate and LPG sales are expected to recommence shortly after the resumption of gas production from the Middleton Gas Plant following the recommissioning of the Middleton Gas Plant facilities. Resumption of production from the project is in line with the Drillsearch's production guidance provided in the Half Year results released on 21 February 2013.

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.