

6 September 2010

## Drillsearch Announces Major Cooper Basin Reserves Upgrade

- **Western Cooper Wet Gas Discoveries declared commercial by Beach Energy**
- **2P oil & gas reserves increase by 2.7 MMBOE for total 2P reserves of 4.1 MMBOE – a 185% increase over FYE 2009**
- **Liquid hydrocarbon reserves increase by 800,000 bbls for total liquid hydrocarbon reserves of 2.1 MMbbls – a 60% increase over FYE 2009**
- **Canunda discovery liquid hydrocarbons Gross 2P reserves of 1.26 MMBOE alone (DLS share 630,000 BOE)**

Drillsearch Energy Ltd (ASX: DLS) is pleased to announce a major increase in 2P oil & gas reserves in its core Cooper Basin Western Flank Oil Fairway and Gas & Liquids Projects.

Drillsearch has been advised by Beach Energy Ltd (ASX: BPT) as operator of PEL 106B within the Western Cooper Gas & Liquids Project that based on the results to date of the current testing of the Brownlow and Canunda Gas & Liquids discoveries that it considers these discoveries along with the Middleton and Udacha Gas & Liquids discoveries commercial.

Beach has announced in its Annual Report a 2P reserves increase of 2 MMBOE based on the testing results for the Brownlow and Canunda Gas & Liquids discoveries. PEL 106B is held by Beach Energy, operator (50%) and Drillsearch (50%) – see attached map

Drillsearch 2P Reserves						
Area	FY 2009		FY 2010		% Change	
	Gas & Liquids MMBOE	Liquids Only MMbbls	Gas & Liquids MMBOE	Liquids Only MMbbls	Gas & Liquids	Liquids Only
Eastern Cooper	1.17	1.17	0.78 *	0.78 *	-33%	-33%
Western Cooper	-	-	2.90 **	1.11 **	+	+
Canada	0.27	0.16	0.40	0.24	+48%	+50%
<b>Total</b>	<b>1.44</b>	<b>1.33</b>	<b>4.10</b>	<b>2.13</b>	<b>+185%</b>	<b>+60%</b>
* As estimated by independent petroleum engineers, Gaffney, Cline & Associates.						
** As estimated by the Operator, Beach Energy. Gaffney, Cline & Associates review is in progress.						

Based on this assessment, Beach has advised Drillsearch that these discoveries collectively contain 2P reserves of 5.6 MMBOE. Drillsearch's share of 2P reserves in these discoveries is approximately 2.6 MMBOE of which 1.05 mmbbls are liquid hydrocarbon reserves.

As the operator of PEL 106B area of the Western Cooper Gas & Liquids Project, Beach has advised Drillsearch that it considers these discoveries are commercial and pending development. The effect

of this assessment and the results of the extensive testing programme on these discoveries has resulted in both an increase in the total in-place gas and liquids estimates and a significant movement of previously accounted for contingent resources into commercial reserves pending development.

Based on the information provided by Beach, Drillsearch's own internal assessments and the progress made by the joint venture on development of these discoveries in PEL 106B, Drillsearch endorses the 2P reserve assessment for the Western Cooper Gas & Liquids Project Discoveries and the determination that these fields are commercial reserves pending development. The table above details Drillsearch's current total (Eastern & Western Cooper Basin plus Canada) 2P reserves including the addition of 2P reserves for the Middleton, Brownlow, Udacha and Canunda Gas & Liquids discoveries

Drillsearch and Beach hold a common view on how the Western Cooper Gas & Liquids Discoveries should be developed and are in agreement that development along these lines is a commercially attractive project. The Joint Venture is currently developing detailed field development plans to support the development of these discoveries based on the very encouraging testing programme.

Managing Director Brad Lingo stated "This is a great result for the company and our shareholders. This is a clear and strong step towards putting these discoveries into production. With both Beach and ourselves taking the view that sufficient gas and liquids having been proved up to consider the discoveries commercial this is the first step to putting these fields into development. The very high liquids content of the fields, especially the Canunda discovery which holds nearly 1.26 MMBOE of condensate and LPG alone, really make these fields very attractive to develop."

Drillsearch has engaged Gaffney, Cline & Associates Pty. Ltd to conduct the company's annual independent assessment of reserves and resources. Gaffney, Cline is assessing all of the company's reserve and resources in accordance with the Society of Petroleum Engineers Petroleum Resource Management System ("PRMS Guidelines"). Gaffney, Cline is specifically reviewing these discoveries to determine whether it considers that they are sufficiently near commercial development to be classified as reserves under the PRMS Guidelines.

Gaffney, Cline has already completed a review of Drillsearch's Eastern Cooper Basin production assets (Tintaburra Block JV) and these 2P reserves are reflected in the table above. Once Gaffney, Cline completes the Drillsearch Annual Reserves and Resources Assessment including a review of the Western Cooper Gas & Liquids Project Discoveries, the company will provide a full update of these results.

For further information please contact:



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**About Drillsearch Energy Limited** (ASX: DLS), which listed on ASX in 1987, explores and develops conventional 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. The company also has offshore exploration interests in the Gippsland Basin and oil & gas production interests in Canada which are pending sale.

#### **Competent Person Statement**

Information on the Reserves and Resources in this release is based on information provided to the company by Beach Energy Ltd as operator of the PEL 91 Joint Venture and 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. Information of the Reserve in this release estimates for the Eastern Cooper Basin assets (Tintaburra Block) is based on an independent evaluation conducted by Mr. David Ayhe of Gaffney, Cline & Associates, Pty. Ltd. 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.

#### **About Gaffney, Cline & Associates**

Gaffney, Cline & Associates (GCA) is an independent international energy advisory group of over 45 years' standing. A substantial part of GCA's work involves the technical evaluation of petroleum properties and the provision of independent valuation of assets for inclusion in company or stock exchange statutory documentation.

The GCA Report was prepared in accordance with the SPE-PRMS guidelines and, in preparing the report, GCA maintained strict independence in accordance with the Valmin Code issued by the Australasian Institute of Mining and Metallurgy.

#### **Applicable Reserves & Resources Reporting Guidelines & Defined terms**

In the determination and classification of reserves and resources, Drillsearch Energy Ltd applies the Society of Petroleum Engineers Petroleum Resource Management System ("PRMS Guidelines"). The terms "Reserves" and "Contingent Resources" used in this release are as defined by the PRMS Guidelines as provided below:

**"2P"** means the Sum of Proved Reserves plus Probable Reserves

**"Commercial"** is defined as a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances but, in general, should be limited to around 5 years.

**"Contingent Resources"** means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

**"Proved Reserves"** means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as development or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as P1, sometimes referred to as "proven".

**"Probable Reserves"** means unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

**"Reserves"** means those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward.

## Western Cooper Gas & Liquids Project

