

22 April 2008

OPERATIONS REPORT

Metgasco (ASX:MEL) advises the following update on operations:

Development of Gas Reserves

The Company has provided additional data to independent reserve certifiers MHA Petroleum Consultants (Denver) following the completion of further permeability and stress testing work. This data is in the process of being reviewed by MHA and a further upgrade to certified gas reserves is anticipated.

Early gas flows achieved from coal seam gas pilot production testing.

Early gas flows have been achieved from pilot production wells which were completed in mid February. All pilot wells are currently producing gas during the early stages of dewatering, which is a positive development for the future of the project. Gas production is expected to increase as the coal seams are dewatered. The Company has recently completed civil works on an additional water holding dam.

Conventional Exploration – Planned Production Test

Metgasco has previously advised that it had drilled and cased Riflebird-E14 to a TD of 1,369 metres during its recent drilling campaign. This well intersected approximately 400 metres of the Koukandowie formation with the Heifer Creek sandstone being the primary target. The lateral equivalent of this unit in the Surat Basin is interpreted to be the Hutton Sandstone. This well intersected a gross sandstone interval of 49 metres. Wireline logs and gas shows during drilling indicated the presence of gas within three zones of interest.

At the time of drilling, equipment was not available on site to enable a production test of this well. Equipment availability has now been confirmed and the Company intends to undertake production flow testing in each of the three target zones over the coming weeks.

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