

27th May 2009

UPDATE ON FORWARD PROGRAM

Metgasco (ASX:MEL) advises that it is about to commence its forward exploration and appraisal program for 2009/2010.

This program will comprise a balance of activities designed to:

- Drill additional CSG pilot wells to replicate and improve upon the performance of the Company's lead CSG pilot well – Corella-11;
- Drill Metgasco's first deep conventional well which will appraise the Kingfisher gas field discovered last year;
- Extend our understanding of the coal seam gas ("CSG") potential of the Clarence Moreton basin by undertaking exploration drilling to evaluate coal development in areas of the basin in which little or no work has been completed to date; and
- Expand Metgasco's 2P and 3P CSG reserve base by undertaking targeted core drilling in areas identified as priorities.

The first well to be drilled in this program is Wyan-E1 which is expected to commence on 28th May, subject to weather conditions. This well is a stratigraphic well designed to test coal development on the western margins of the Clarence Moreton Basin, in northern NSW.

Following this, Metgasco expects to drill Riflebird-E15 as a low cost vertical well to test the production potential of a multi seam CSG well. Riflebird-E15 is intended to subsequently be completed as the vertical offtake for a future horizontal CSG pilot well.

Metgasco is currently finalising the drilling rig contract for the drilling of our first conventional appraisal well Kingfisher-E1 on the Kingfisher gas field. This well is expected to be drilled in the next quarter. Kingfisher-E1 will be drilled to a total depth of 2,100 metres and will evaluate the Heifer Creek, Gatton and Ripley Road sandstones. Metgasco has a contingent resource estimate of 41 PJ (P Mean-Base Case) for the Heifer Creek and an upside case of 914 PJ (P10 – Upside Case) for the total structure.

The next generation of CSG pilot wells are planned to be drilled in the second half of this calendar year. Additional reserve expansion drilling will follow on from this program.

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