

23rd July 2009

Operations Update

Metgasco (ASX:MEL) advises the following:

Drilling of Corella-E17 Completed

This well has been drilled as the vertical offtake well for a future SIS (surface to in-seam) pilot production well to be undertaken this calendar year. The objectives in drilling the vertical section of the well were to:

- confirm the presence and thickness of the Walloon Coal Measures at this location;
- evaluate the performance of alternative drilling techniques; and
- confirm Metgasco's interpretation that the coal seam gas resource at this location is analogous to the "wet" coal seam gas resource at the nearby Corella-P11 well where Metgasco has booked its first 1P reserves this year.

Corella-E17 has been drilled to a total depth ("TD") of 788 metres. The Walloon Coal Measures were intersected from 377 metres with a number of coal seams present at this location.

A short term production test was conducted immediately after reaching TD with free gas flows of 30,000 mcf/day recorded without pumping. Water production was also recorded during the test. The early interpretation from this well is that the initial gas production is consistent with the modelled performance of a vertical intersection through the Walloon coals. On this basis the Company expects that the horizontal section of the well will produce gas at comparable rates as the nearby Corella-P11 well.

This well is now being set up to dewater the exposed coal seams and to conduct further testing on gas and water production rates prior to running a liner in preparation for becoming the vertical offtake for a SIS well as described above.

Riflebird-E15 placed on long term production test

This well has also been drilled as the vertical offtake well for a future SIS pilot production well to be undertaken this calendar year. Riflebird-E15 is now under a long term production test. Observed gas production rates prior to dewatering have been low and show a different response to that observed at Corella-E17. More detailed reservoir characterisation analysis for this location is currently underway.

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