



ASX / MEDIA RELEASE

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## Metgasco selects rig contractor for Rosella E01

Metgasco (ASX:MEL) today advises the following:

Metgasco Limited is pleased to announce that it has selected Atlas Drilling Services Pty Ltd, A Titan Energy Services Company (ASX:TTN) as its drilling contractor for the Rosella E01 well.

Atlas was chosen from five drilling companies that participated in a tender process, on the basis of criteria that included cost, safety, rig capability and reliability.

Atlas will supply its Rig 3 drilling rig in mid-April, subject to the conclusion of the rig's current contract with a petroleum company in Queensland.

### **Rosella E01**

The Rosella E01 well will test the conventional and tight gas potential of the Greater Mackellar structure and follows the discovery of gas in conventional sands in the Kingfisher E01 well in 2009. Rosella E01 is not a coal seam gas well.

The primary objective for this well is the Ripley Road sandstone that was tested in Kingfisher E01, south of Casino. The well will also test the thick sequence of gas bearing strata in the Gatton sandstone that had low permeability, together with the deeper Basal Bundamba Sandstone (a lateral equivalent to the Laytons Range Conglomerate), Ipswich and Nymboida Coal Measures that were below the depth reached in Kingfisher-1.

If significant gas is found, the well will be tested to determine if an economic gas rate can be established from zones of interest and then, subject to results, suspended for further testing and evaluation. In the event that the well fails to find suitable reservoir zones, it will be plugged and abandoned and the site rehabilitated and restored to pre-drill condition.

The well is to be drilled on the site of an old, unused quarry. An access agreement with the landowner is in place. A community consultation program has been initiated.

Metgasco's Managing Director, Mr Peter Henderson, said: "The Rosella E01 well is important for Metgasco and the State of New South Wales. Nearly all of the gas currently used in New South Wales, about 95 per cent, is imported from interstate. Beyond 2016 these gas supplies are not secure. Gas prices in New South Wales are expected to increase significantly in the next few years and there are substantial community concerns over the inability to contract gas supplies. A successful result for Rosella E01 will help secure energy supplies for New South Wales, manage prices and provide employment opportunities in the Northern Rivers region."

## Activist shareholder letter

Metgasco has become aware of a letter to shareholders from an anti-gas activist group. This letter was sent to shareholders using personal details contained on the company's share registry. Metgasco has not yet determined how the group obtained access to this shareholder information, but it was not via Metgasco or its agents. The letter contains statements which are false and misleading and have the potential to give rise to a false market in the trading of Metgasco securities. The matter has been referred to ASIC for investigation.

Metgasco wishes to correct two of the false and misleading statements with the following:

1. **Fact: Metgasco enjoys the support of the NSW Government, the council in which it works and the local community in which it works.**

Contrary to what the letter states, it is not true that more than 90% of residents are opposed to drilling for unconventional gas.

Metgasco has valid exploration licences, issued by the elected government of NSW, and all of the company's field operations are subject to environmental approvals and comply with government regulations – Metgasco has the legal right to explore.

Metgasco has a strong degree of support in the areas in which it operates, with 10 years of field activities and more than 300 voluntary landholder agreements. Arbitration rights to obtain land access have never been used.

Most of Metgasco's activities are near Casino, in the Richmond Valley Council area. A poll in late 2012 by the Richmond Valley Council showed that 70% of voters supported coal seam gas provided that it was safe and environmentally sound.

2. **Fact: Metgasco suspended its CSG operations in early 2013 because the unexpected February 2013 announcement of NSW Government policy and administrative changes made near term investment in NSW unattractive.**

The letter's suggestion that the 2013 protest actions at Doubtful Creek led to the suspension of the company's current operations is wrong and misleading. This protest had no bearing on Metgasco's decision, and operations were suspended, not terminated.

Prior to the NSW Government's announcement, Metgasco had successfully completed a seismic acquisition program and the drilling of two CSG wells, despite protest action. During drilling operations there were on average about 30 routine protestors on site, with 100 to 200 protestors during short rig mobilisation periods. Many of the protestors were "professional protestors" and/or from outside the operational areas. The protests caused some delay to the program, comparable to a delay due to adverse weather often experienced in this region. The financial effect of the protests was not material and, again, the protest action was not the reason for Metgasco's suspension decision.

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