



ASX / MEDIA RELEASE

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## Drilling Suspension Action

In response to media reports today, Metgasco confirms that it has had discussions with the NSW Government to seek an out-of-court settlement for the dispute over the suspension of Metgasco's approval to drill a conventional and tight gas well. The discussions are confidential and without-prejudice.

Metgasco continues to argue that the Government's suspension decision was unlawful and unjustified and has severely damaged its interests. Court action is currently underway to have the suspension decision lifted.

Metgasco will not comment or speculate on the status or possible outcome of discussions with Government.

Background information is attached.

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**For further information contact:**

Peter J Henderson                  Sean Hooper  
Managing Director & CEO      Chief Financial Officer

**Metgasco Limited** ACN 088 196 383

Level 11, 2 Elizabeth Plaza, North Sydney NSW 2060  
Tel: +61 2 9923 9100      Fax: +61 2 9923 9199

**Web:** [www.metgasco.com.au](http://www.metgasco.com.au)

**For media inquiries contact:**

Helen McCombie, Citadel: (02) 9290 3073 or 0411 756248

## Background to court action:

- Metgasco has been exploring for gas in the Clarence Moreton Basin for ten years and has invested about \$120 million. In doing so it has established significant coal seam gas reserves and identified significant conventional and tight gas potential. It has drilled more than 50 wells and has had more than 300 land access agreements, all voluntary.
- March 2103: Metgasco lodged its environmental approval submission for the Rosella well. The primary objective of the well is to test the conventional gas potential in the Greater Mackellar structure. The well has secondary tight gas exploration targets. The environmental submission included explicit information about the community consultation program specific to the well.
- January 2014: Metgasco advised Minister Robert's office of its community consultation program and received no response.
- February 2014: The environmental approval to drill was approved by the OCSG, allowing Metgasco to commit to a range of contract services required to drill the well. Metgasco negotiated a land access agreement with a farmer who supported the planned well enthusiastically.
- 14 May: the OCSG suspended Metgasco's approval to drill the Rosella conventional well on the basis that Metgasco had not complied with the NSW Government's community consultation guideline. It did so without giving prior notice to Metgasco or expressing any concern over Metgasco's community consultation program before the suspension notice was issued. Metgasco was within days of having the drilling rig and other services mobilised to site. It was forced to cancel drilling contracts, incurring considerable expenses in doing so, and Metgasco's share price fell by 40%.
- 15 May: Metgasco wrote to the OCSG, demonstrating that it had complied with the consultation guideline and requesting that the suspension decision be reviewed and the suspension lifted. Metgasco challenged the suspension on the basis that:
  - The Government did not have the right to take this action under the Petroleum Onshore Act (POA);
  - The OCSG had not followed the procedure specified in the POA; and
  - Metgasco had complied with the Government's community consultation guideline.
- 22 May: Metgasco wrote to the NSW Premier, asking that a party other than the OCSG review the suspension decision given that it was unreasonable for OCSG and parties involved in the original decision to review their own decision. The request was effectively ignored.
- 27 May: the OCSG wrote to Metgasco, providing reasons that it was minded to maintain the suspension, and asking for Metgasco's response.
- 3 June: Metgasco filed a summons with the NSW Supreme Court seeking to have the suspension decision overturned, providing the potential for a legal remedy if the OCSG's internal review did not result in the suspension being lifted.
- 6 June: Metgasco responded to the 14 May letter, expanding on reasons for its belief that it had complied with consultation requirements.
- 6 June: Metgasco lodged a Notice to Produce in the Supreme Court to obtain information relevant to the suspension decision.

- 26 June: the OCSG responded to Metgasco's 6 June submission, refusing to lift the drilling suspension.
- 7 July: Metgasco amended its 3 June summons to take into account material in OCSG's 26 June response. It had no choice but to proceed with court action given the OCSG's position.
- 9 July: Justice Davies of the Supreme Court handed down his decision on Metgasco's Notice to Produce, deciding to set aside contested paragraphs of the Notice on the basis that the Notice was "premature". Justice Davies' stated that his decision did not preclude Metgasco from serving a further Notice to Produce after the amended pleadings had been finalised and both sides had filed their evidence.
- 21 July: NSW Government filed a response to Metgasco's summons.
- 28 July: Metgasco served its evidence, consisting of affidavits from two employees, on the Government as required by the court schedule.
- 8 August: Government advised that it could not file the evidence on the date it was due (8 August) because of the unavailability of key personnel.
- 12 August: Government advised that it will not file evidence.