



QUEENSLAND GAS COMPANY LIMITED
ABN 11 089 642 553

Level 13
100 Edward Street, Brisbane QLD 4000
GPO Box 3107, Brisbane QLD 4001
Tel: 07 3004 1000 Fax: 07 3012 8411
Website: www.qgc.com.au
Email: gqc@qgc.com.au



AJ LUCAS GROUP LIMITED
ABN 12 060 309 104

157 Church Street, Ryde NSW 2112
PO Box 675, Ryde NSW 1680
Tel: 02 9809 6866 Fax: 02 9807 6088
Website: www.lucas.com.au
Email: mail@lucas.com.au

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ASX ANNOUNCEMENT

QGC and Lucas join forces in ATP651P

Queensland Gas Company (QGC) has today signed an agreement with the AJ Lucas Group of Companies (Lucas) to jointly undertake coal seam gas (CSG) exploration on one of QGC's Surat Basin tenements, ATP651P.

The investment is Lucas' second initiative in developing its CSG portfolio and follows its purchase of 75% of a petroleum exploration licence in the NSW Gloucester Basin in November 2002.

The move is also consistent with QGC's plans to develop its CSG acreage in the Surat Basin so that it can aggressively pursue gas supply contracts over the next five to 10 years.

"With the development at Berwyndale South (ATP632P) close to certification and production testing underway at Argyle (ATP620P), QGC is actively exploring its extensive resource to identify the next generation of prospective developments beyond the 'Undulla Nose', which encompasses these two tenements" QGC Managing Director Richard Cottee said.

"Effectively, we are creating an inventory for QGC, with projects in the pipeline at each stage of development, to ensure the Company has gas reserves ready in time to meet market demand," he said.

"Importantly, this farm-in agreement with Lucas allows us to continue our exploration program without diverting resources from the paramount focus of commercialising Berwyndale South," he said.

QGC has already drilled two exploration wells in ATP651P, with Wolleebee Creek #1 flowing gas at up to 250,000 cubic feet per day during initial testing in 2002. The 975 km² tenement lies to the north west of Chinchilla in the Surat Basin and is close to the Peat/Scotia lateral pipeline.

AJ Lucas Group is Australia's leader in long-distance gas pipelines and a world leader in horizontal directional drilling (HDD). The company also provides a comprehensive gas management service for Australian coal mines including gas mapping, underground drilling and gas extraction.

Allan Campbell, Chairman of AJ Lucas Group Limited, said "over the past few years, Lucas has developed the reputation of being at the forefront of technical innovation in drilling practice. Our technology for surface to in-seam gas extraction drilling has been in development for seven years and has been applied extensively throughout Queensland.

We are now pleased to further extend our drilling technologies into Queensland, to augment our interests in the Gloucester Basin."

Mr Cottee said he was pleased to join with Lucas in investigating the potential of ATP651P, where QGC held a 100% interest.

Under the terms of the agreement, Lucas will act as operator in the tenement for the next two years. In the first stage of work, Lucas will fund the drilling of an exploratory core well (Mamdal #1) to earn a 15% interest in the tenement. This will provide gas content and permeability data which will be used to determine the 2004 program in the area. Upon completion of stage one activities, Lucas has an option to extend its interest to 50% by funding a second stage of work, to a value of \$450,000 before May 2004.

QGC is one of Australia's leading participants in the CSG industry having drilled over 50 exploration wells across over 10,000km² in Queensland's Surat Basin.

The AJ Lucas Group is amongst Australia's best known infrastructure providers, and enjoys the distinction of working on and introducing the latest developments in drilling technology to Australia.

For further information:

Richard Cottee
Managing Director
Telephone: 07 3004 1002
Mobile: 0419 795 704

Allan Campbell
Chairman
Telephone: 02 9809 6866
Mobile: 0413 616 616

