



10th January, 2006

GUNNEDAH BASIN CSG PROJECT RIG CONFIRMED FOR DRILLING IN FEBRUARY

Eastern Star Gas Limited, the Operator of the PEL 238 Gunnedah Basin Coal Seam Gas Joint Venture, is pleased to announce that it has secured the services of a drilling rig that will in February commence the drilling of a 9 well program at Bibblewindi. Successful production tests of these wells will provide the Joint Venture with certification of an initial volume of Proved and Probable (2P) gas reserves from an estimated resource of 8.5 TCF.

The certification, subject to well performance, would enable the Joint Venture to proceed to development of the coal seam gas field and commit to gas sales contracts. Gas markets continue to grow with various third parties already showing strong interest in pipeline construction and gas transport from Bibblewindi and surrounds to regional and markets further a field, as well as for local and regional gas fired power generation.

The 2006 program includes:

- Establishing a confined production pilot by drilling 8 closely spaced new production wells in proximity to the existing Bibblewindi-1 production well. The confined pilot is designed to accelerate dewatering of the 6.5 to 12metre thick Bohena coal seam and therefore achieve commercial gas production rates in a shorter period than would be possible for isolated (unconfined) wells or for wells drilled on larger spacing. The target date for establishing commercial rates is the fourth quarter of 2006.
- Drill a pressure monitor well at some distance from the production pilot. The aim of the monitor well is to increase the area over which reserves can be attributed by demonstrating that the requisite coal reservoir performance extends well beyond the production pilot area, i.e. to demonstrate pressure communication between wells spaced further apart than that being used for the 8 new production wells.
- On satisfactory completion of the work program and production tests, it is intended, subject to the agreement of all Joint Venture Partners on pricing and gas gathering expenditures, to connect all production wells within the Bohena Project Area, including the eight new wells, to the Wilga Park Power Station for electricity generation and sale.

Development Update: The Joint Venture currently has a total of 5 unconfined coal seam gas wells capable of production testing and these wells are at various stages in the de-watering process. Aggregate production from these 5 wells to date has been up to approximately 300,000 cubic feet/day but more work is required to optimise production from these wells. Notwithstanding, water and gas production rates achieved to date support the presence of a significant commercial accumulation of coal seam gas within the Bohena Project Area. Several of these wells are scheduled to undergo work-over operations, as is usually required for coal seam gas wells, to maintain and further increase gas production rates.

Biblewindi Pilot: Biblewindi-1 was fracture stimulated late in 2004 and placed on continuous production test shortly thereafter. Initial results from the 6.5 metre thick Bohena seam support the notion of, and particularly at this depth, a highly permeable coal seam with high water and increasing gas production rates. Biblewindi-1 is an unconfined well with the closest production well at Bohena South-1, approximately 7 kilometres to the north. Technical studies indicate that the well is likely to reach commercial gas production rates, however, because of the thickness of the seam (up to 6.5-15 metres), on an unconfined (single well) basis this could take several years to achieve. In order to accelerate gas production rates, the Biblewindi area needs to be converted to confined production by the addition of new production wells. The 9 well 2006 program discussed above, has been designed with input from external independent reservoir engineering firms and designed for this purpose.

About the Gunnedah Basin Gas Project (Coal Seam Gas Joint Venture)

“Delivering Gas Independence to NSW”

The Project is located in Petroleum Exploration Licence 238 between Narrabri and Gunnedah in New South Wales covering 9,100 kms² of the Gunnedah Basin. The PEL contains one of the largest onshore natural gas accumulations in Australia alone totaling 17,000 PJ (17 TCF) of gas-in-place within the two coal seams that are over 10 metres thick in each of two coal bearing formations. The Bohena Project Area covers 260 kms² within PEL 238 and contains up to 3,700 PJ (3.7 trillion cubic feet) gas in place within coal seams of the Late Permian Black Jack Formation and the Early Permian Maules Creek Formation. The Project is managed by Eastern Star Gas Limited and is owned by the Gunnedah Basin Gas Project (Coal Seam Gas) Joint Venture comprising:

Eastern Star Gas Limited (ASX: ESG) 32.5%
Hillgrove Resources Limited (ASX: HGO) 32.5%
Gastar Exploration Limited (TSX: YGA & PK, AMEX:GST) 35%

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