

# HILMGROVE RESOURCES

Wednesday, 5 April 2006

## SECOND WELL SPUDS IN NINE WELL PROGRAM

Hillgrove Resources Limited (ASX:HGO) is pleased to advise that Bibblewindi-7, located 700m north east of Bibblewindi-1 and the second well in the nine well program, was spudded on Saturday 1 April at PEL 238 at Gunnedah in New South Wales. Today at 9:30am the operation was drilling ahead at 530m.

For more details please refer to the attached announcement from the Joint Venture Manager, Eastern Star Gas Limited.

### **About the Gunnedah Basin Gas Project - *"Delivering Gas Independence to NSW"***

The Project is located in Petroleum Exploration License 238 between Narrabri and Gunnedah in New South Wales covering 9,100 kms<sup>2</sup> 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 two thick coal seams. The Bohena Project Area, which covers 260 kms<sup>2</sup> within PEL 238 and contains up to 3,700 PJ (3.7 trillion cubic feet) of gas-in-place, is the focus for early commercial development to serve local power and industrial consumers and, ultimately, the Newcastle and Sydney markets. The Project is managed by Eastern Star Gas Limited and is owned by the Gunnedah Basin Gas Project (Coal Seam Gas) Joint Venture which comprises:

- Eastern Star Gas Limited (ASX: ESG) – 32.5%
- Gastar Exploration Limited (TSX: YGA) – 35%
- Hillgrove Resources Limited (ASX: HGO) – 32.5%

### **About Hillgrove**

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which focuses on identifying resources opportunities that can either be brought into production readily or those where there is a clearly defined value adding route within a clearly understood risk environment. Commodities that are of particular interest include copper, gold, garnet, silver, lead, zinc, uranium and natural gas.

Hillgrove is exploring a total of 974 km<sup>2</sup> in the Kanmantoo Trough and the Gawler Craton, two of the most prospective regions of South Australia for copper and gold. Hillgrove is currently undertaking a pre-feasibility study of the Kanmantoo Copper Mine, a potential mid-tier copper producer, where it has established an Indicated and Inferred Resource of 18.37 MT grading

1.1% copper and 0.2 g/t gold. Additionally, the copper/gold mineralisation is associated with what is thought to be a World Class resource of garnet which has application as an abrasive.

In October 2005 Hillgrove announced the conclusion of a strategic alliance with Sempra Metals, a subsidiary of Fortune 500 Company Sempra Energy, involving an \$8 million equity and debt package to assist the development of Kanmantoo.

The Company has a 32.5% interest in the Gunnedah Basin Gas Joint Venture's PEL 238 Coal Seam Gas Project in New South Wales. The Joint Venture currently has five wells in test production with a nine well production pilot currently being drilled. PEL 238 contains one of the largest onshore accumulations of natural gas in Australia totalling 17,000 PJ's (17 TCF) of gas-in-place within two thick coal seams.

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5<sup>th</sup> April, 2006

## GUNNEDAH BASIN CSG PROJECT SECOND WELL SPUDS BIBBLEWINDI-7

Eastern Star Gas Limited, the Operator of the PEL 238 Gunnedah Basin Coal Seam Gas Joint Venture, is pleased to announce that Bibblewindi-7, the second well in its 9 well program spudded on Saturday, 1<sup>st</sup> April and at 9:30 am today the operation was drilling ahead at 530 metres.

Bibblewindi-7 is located 700 metres north-east of Bibblewindi-1 and represents the first of the new production wells. Bibblewindi-10 completed last week was drilled as a pressure observation/monitor well.

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 Bohena coal seam at Bibblewindi 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.
- 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.

**Bibblewindi Pilot:** Bibblewindi-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. Bibblewindi-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 Bibblewindi 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 kms<sup>2</sup> 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 kms<sup>2</sup> 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 (AMEX: GST & TSX: YGA) 35%

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