



ASX / MEDIA RELEASE
2 September 2010

DRILLING UPDATE

Metgasco (ASX:MEL) advises the following update on the Company's current drilling program.

Bowerbird E01 (MEL 100%)

The first well to be drilled is Bowerbird E01, a core well, located in PEL 13 approximately 3.7km west of Metgasco's lead coal seam gas production well Corella P11. The Depco rig has arrived on site and this well spudded at 9.00am on 2 September 2010.

While Bowerbird E01 is likely to extend Metgasco's reserve base from PEL16 into PEL13, the prime purpose for selecting the location of this well is to extend the Company's knowledge of an interpreted coal seam gas fairway in the Walloon Coal Measures. This area is referred to as the Eden Creek Fairway and has so far been delineated in Corella P11, Corella P12, Corella E17 and Bowerbird E02.

The target depth of Bowerbird E01 is 700 metres. The well is intended to test the Richmond and I/J/K coal seam gas reservoirs. The core well will provide data on gas content, gas composition, coal quality and thickness and reservoir permeability. The data collected will assist in planning additional trial production activities ahead of any potential field development.

Thornbill E01 and Thornbill E02 (MEL 100%)

Once Bowerbird E01 is completed the rig will mobilise to the south to PEL 426 to complete the drilling of two exploration wells, Thornbill E01 and Thornbill E02.

The purpose of Thornbill E01 and Thornbill E02 is to test the Walloon coals in the area of the Banyabba surface anticline some 50 kilometres south of Casino. It is proposed to drill Thornbill E01 to a target depth of 850 metres and Thornbill E02 to a target depth of 750 metres. Once drilling is completed, the wells will be flow tested and logged.

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