

13 July 2010

Naccowlah Block Drilling Success / New Oil Discovery with Watson West-1 Exploration Well to be completed as Birkhead oil producer

Drillsearch Energy Ltd (ASX: DLS) is pleased to announce that the Watson West-1 exploration well has encountered sufficient pay to be cased and suspended as a future oil producer in the Basal Birkhead Formation.


The Naccowlah Block is a joint venture of Santos Ltd (55%) and operator, Beach Energy (38.5%), DLS (2%), Inland Oil (2%) and Energy World Corporation (2%) and is one of Drillsearch's Mature Oil production assets.

Watson West-1 is located west of the existing Watson and Watson South Oil Fields in the Naccowlah Block in the South West Queensland Cooper Basin. Watson West-1 is a near field exploration well targeting a four-way dip closure adjacent to the Watson South Oil Field. The Watson South Oil Field to date has produced 2.3 million barrels of oil from the Basal Birkhead.

Watson West-1 has encountered approximately 6 to 8 feet of oil pay in the basal intervals of the Basal Birkhead Formation within a gross oil column of 24 feet based on preliminary interpretation. Initial post-drill estimates indicate an Oil In Place in the range of 300,000 to 400,000 barrels.

Watson West-1 is the first of five exploration and development wells planned in the Naccowlah Block during 2010. The company will provide further updates on the progress of the activities in the Naccowlah Block and the recoverable oil estimates as these become available from the operator.

For further information please contact:



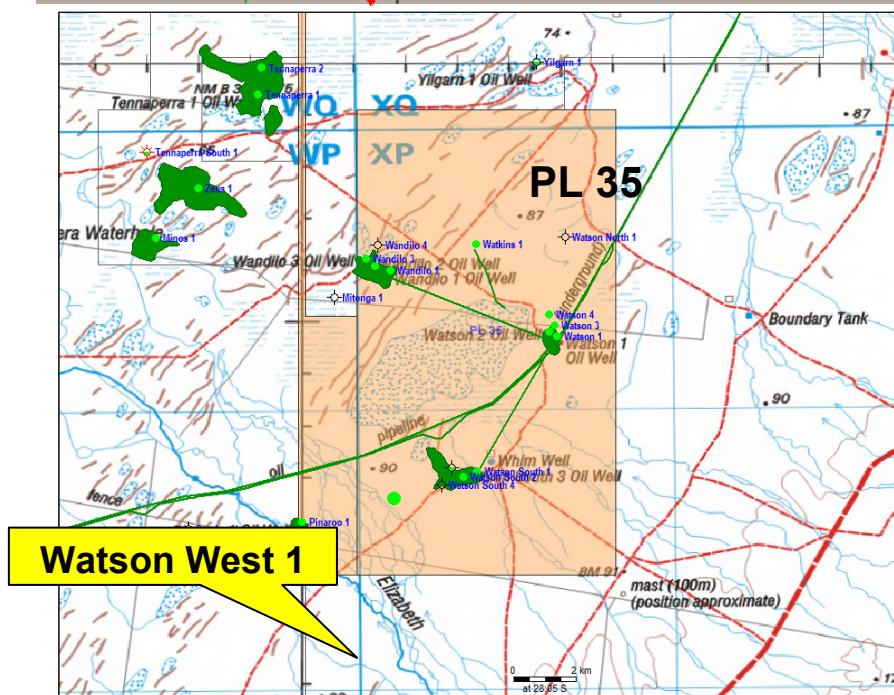
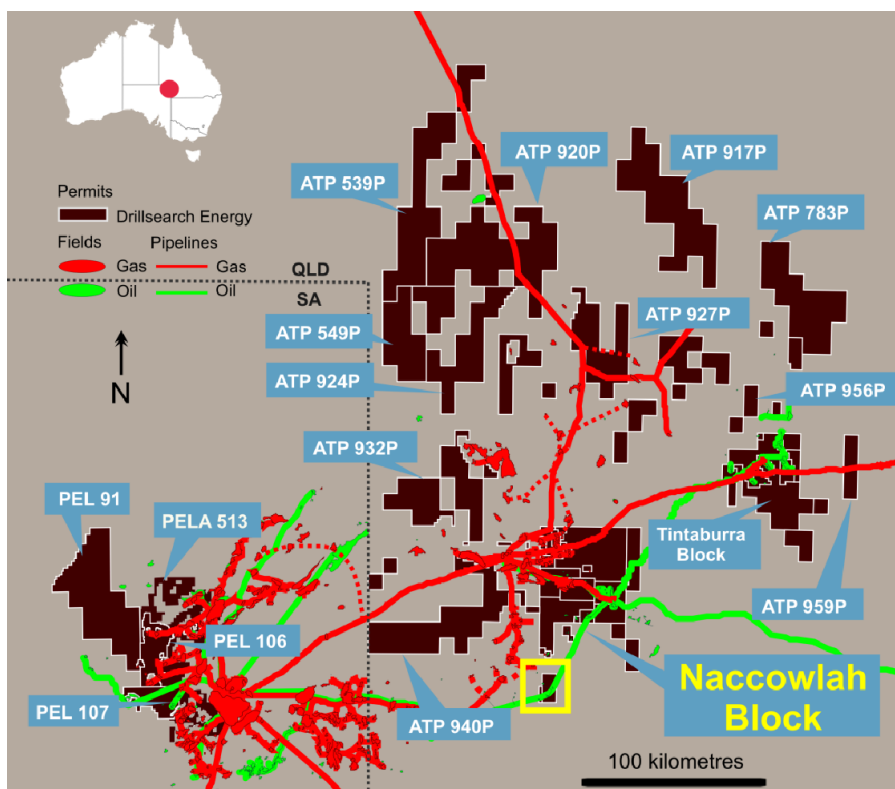
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Naccowlah Block Joint Venture Watson West-1 Oil Near Field Exploration Well



Competent Person Statement - Information on the Reserves and Resources in this release is based on information provided to the company by Santos Ltd as operator of the Naccowlah Block Joint Venture and compiled by Mr. David Evans, Chief Technical Officer of Drillsearch who has given his consent as of the date of this release to the inclusion of this statement and the information in the form and the context in which they appear in this release.

About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's most prolific onshore oil and gas province, the Cooper/ Eromanga Basins in South Australia and Queensland. The company's focus is on 'brownfields' exploration where geological risk is reduced and there is access to existing infrastructure, ensuring that any discoveries can be brought into production. The company also has offshore exploration interests in the Gippsland Basin and in PNG as well as oil & gas production interests in Canada.