

19 July 2011

## THREE FOR THREE – Arno-1 new oil field discovery

- **Arno-1 is a new oil field discovery on the Western Flank Oil Fairway with multiple pay zones**
- **Arno-1 to be cased & suspended as future oil producer**
- **New Oil Pool discovery in Birkhead Play Fairway with estimated between 800,000 (Best) to 1.2 million (High) barrels oil in place**
- **New Oil Pool discovery in McKinlay-Namur Sandstones with estimated between 300,000 (Best) to 400,000 (High) barrels oil in place**
- **DST results in McKinlay-Namur indicate potential initial production rate of over 850 BOPD**

Drillsearch Energy Limited (ASX: DLS) is pleased to announce the Arno-1 exploration well is a new oil field discovery in the Western Flank Oil Fairway. Arno-1 is the third well and third discovery in the current five well exploration drilling campaign in PEL 91. Arno discovery rights currently held 100% by Drillsearch.

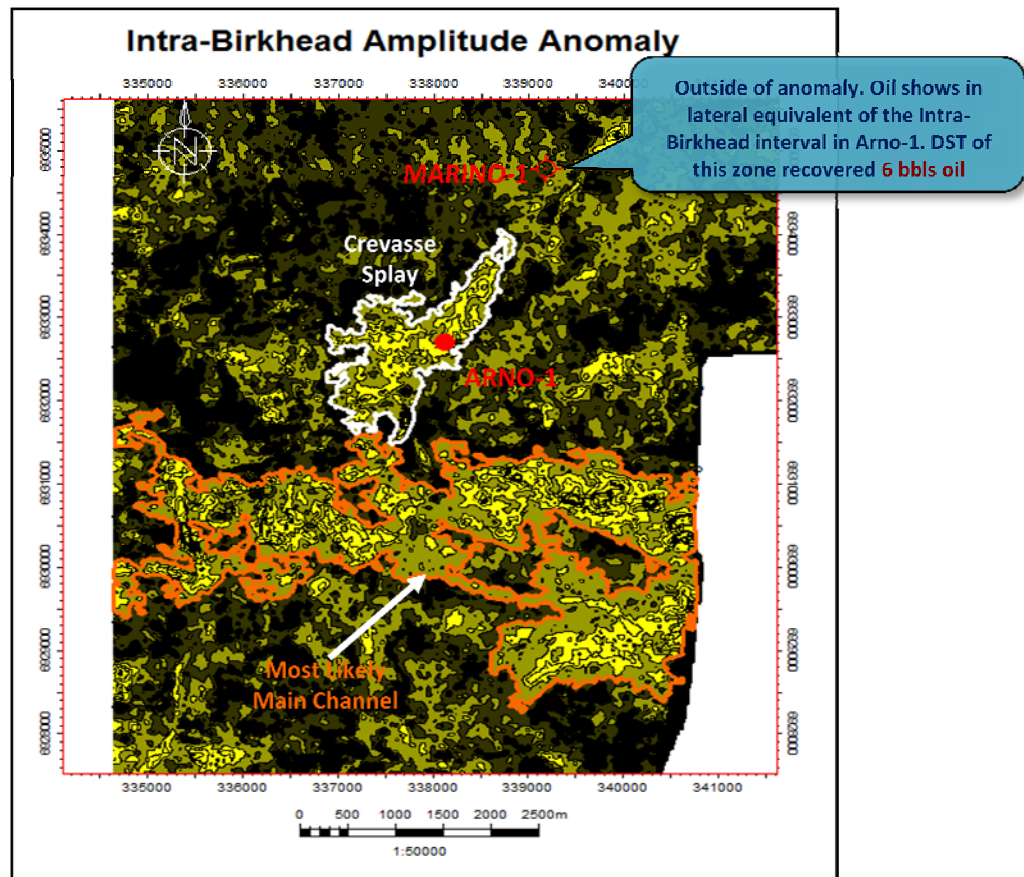
**Multiple Pay Zones in McKinlay, Namur & Birkhead Formations** - The Arno-1 exploration well has discovered significant oil pay zones in McKinlay, Namur and Birkhead reservoirs. Each of these pay zones are well-recognised across the Cooper-Eromanga Basin. The Birkhead Formation is emerging as a leading oil exploration play in the Western Flank Oil Fairway with significant discoveries already having been made immediately north of Arno-1 at the Growler, Wirraway and Snatcher Fields.

Arno-1 encountered a gross oil column of 7.4 metres in the McKinlay and Namur Sandstones (between 1374-1381 meters) and a 6 meter gross oil column in the Birkhead Formation sands (between 1662-1668 meters) which may be part of a larger Birkhead channel play fairway. Additional testing and evaluation of the McKinlay-Namur and Birkhead Formation pay zones is required to estimate ultimate recoveries. A 21-meter interval of oil shows (between 1338-1359 meters) was also encountered in the Murta Formation which on testing proved to be tight. With the oil zone now seen in the Murta Formation at Arno-1, this zone may become a focus of future exploration drilling.

**McKinlay-Namur Sandstone Oil Pool Discovery** - Preliminary volumetric assessment suggests between 300,000 (Best) to 400,000 (High) barrels of gross oil in place oil in the McKinlay and Namur Sandstones. Drillsearch has conducted successful drill stem tests (DST) over the McKinlay-

Namur Sandstones. The DST over the McKinlay-Namur Sandstones recovered to surface 74bbls of light oil over a 2-hour test interval (equivalent to a daily flow rate of 850 barrels of oil per day).

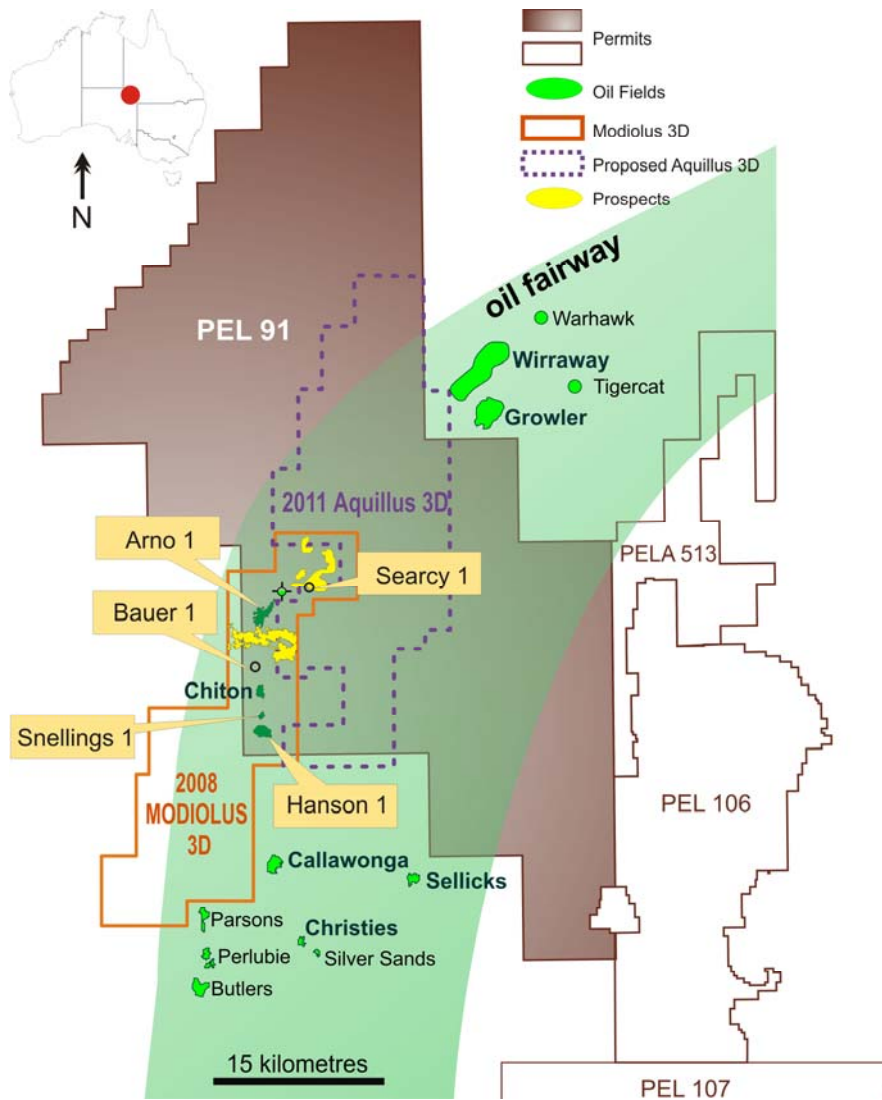
**Birkhead Formation Channel Sand Oil Discovery** - Preliminary volumetric assessment suggests between 800,000 (Best) to 1.2 million (High) barrels of gross oil in place oil in the Birkhead Formation sands (see map below showing preliminary outline of Arno-1 oil discovery). A DST was conducted over the Birkhead Formation which recovered over a 2-hour interval 12 barrels of oil, condensate and drilling fluid indicating a potential flow rate of 25-50 BOPD before any additional stimulation.



Drillsearch's review of the Arno-1 Birkhead Formation pay zone and analysis of the 3D seismic covering the Arno-1 and Marino-1 Birkhead Formation discoveries indicates that the Arno-1 and Marino-1 wells maybe part of a larger Birkhead Formation channel sand play fairway (see map above for preliminary mapping of Main Birkhead Channel). Both of these discoveries appear to sit off the flank of a larger main Birkhead Formation sand channel. Further evaluation and additional appraisal drilling following the completion of the current 5-well exploration drilling program will be required to confirm whether Arno and the main sand channel south of the Arno Discovery are part of a much larger oil accumulation.

**Arno-1 Discovery Rights** - Certain of the operations including the testing of the McKinlay-Namur Sandstones and the 21-meter oil show zone in the Murta and the casing and suspending of the Arno-1 discovery well were undertaken by Drillsearch on a sole risk basis and as such the Arno discovery rights are currently held 100% by Drillsearch subject to various back-in rights under the PEL 91 joint operating agreement.

At the completion of operations at the Arno-1 well, the Ensign rig #18 will be moved to drill the Bauer-1 oil exploration well, which is located 5km to the south of Arno-1 and 2.5km north of the Chiton Oil Field.



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About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional and unconventional 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.

#### Competent Person Statement

Information on the Reserves and Resources in this release is based on information provided to the company by Beach Energy Ltd as operator of the PEL 91 and PEL 106 Joint Ventures and compiled by Mr. David Evans, Chief Technical Officer at 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.