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## New South Wales (Australia) – Operations Update

Dart Energy Limited (ASX:DTE) provides the following update on proposed operational activities for 2011-2012 for its coal seam gas (CSG) assets in New South Wales, Australia.

### End to moratorium and new rules for CSG in NSW

The NSW State Government has announced an end to the 60 day moratorium on new CSG licences and activities in NSW with a set of new rules designed to address concerns raised by the community regarding the safety and environmental sustainability of CSG development in NSW. Dart Energy is pleased to see that the new rules are in line with the company's Position Statements for NSW (attached). Dart Energy offers the following specific comments:

1. *The NSW Government has banned use of BTEX chemicals as additives during coal seam gas drilling.* Dart Energy has a policy to not use BTEX as direct additives in its operations.
2. *The NSW Government has extended the moratorium on the use of hydraulic fracturing or 'fracking' during coal seam gas drilling until 31 December 2011.* Dart Energy does not expect this condition to impact on its operations, as none of its planned drilling activities involve hydraulic fracturing.
3. *The NSW Government has introduced a requirement for companies to hold a water licence for extraction of more than 3ML per year and has banned the use of evaporation ponds relating to coal seam gas.* Dart Energy does not expect this condition to impact on its operations as significantly lower water production from its wells is expected. Dart Energy is committed to evaluating effective methods of water treatment for beneficial use.
4. *The NSW Government will finalise new public consultation guidelines to increase transparency and accountability.* Dart Energy is committed to being entirely transparent in its operations and to share information openly with local communities and regulators alike.

In summary Dart Energy does not expect the new rules to impact on its operations and is supportive of the increased emphasis on transparency and community engagement.

During the balance of 2011, Dart Energy has three clear operational priorities in NSW:

***PEL 458, near Newcastle***

- This licence has 1.3 Tcf of Gas-in-Place (GIP) (as independently certified).
- PEL 458 is a priority as Dart Energy believes the resource can be matured rapidly. Further, given the proximity to infrastructure and potential gas markets there are a number of viable near-term commercialisation options for that resource, providing the possibility of low-cost access to advantaged pricing and thus enhanced margin.
- Dart Energy is planning a two well pilot, expected to start drilling by year end.
- The pilot well design has been finalised and will consist of two surface-to-in-seam wells accessing multiple coal seams, with no fracking required. Environmental studies and associated works are presently being completed.
- Access agreements have been secured with supportive private landowners for both sites.
- Dart Energy has engaged extensively with local councils in relation to planned drilling activities.

***PEL 456, in the Hunter Valley***

- This licence has 30.2 Tcf of GIP (as independently certified), thus evaluation of this resource and reserves maturation is a priority for Dart Energy in NSW.
- The licence is held jointly with Santos, which acts as operator of the licence, pending completion of their farm-in up to a 50% interest.
- The licence is situated in the heart of the Gunnedah Basin, adjacent to a number of other licences held by Santos and by Eastern Star Gas, for which Santos has recently made a takeover offer. The licence is also bisected by the route of the planned Hunter-Gladstone pipeline (see attached map).
- Dart Energy believes that the Gunnedah Basin will over time mature into a significant CBM region, and as such, Dart Energy considers PEL456 to be of increasing strategic significance. Working in co-operation with Santos may provide enhanced access to market (including any infrastructure that might be developed to take gas to Santos' LNG project in Gladstone) and greater collaboration across multiple licences has the potential to offer considerable operational efficiencies.
- The licence partners intend to drill a pilot well early in 2012. No fracking will be required.
- Work is underway on appropriate pilot well design, necessary environmental studies, community engagement and securing approvals and land access agreements.

***PEL 460, in the Western Hunter Valley***

- This licence has 1.1 Tcf of GIP (as independently certified).
- Dart Energy is planning to drill two exploration wells. No fracking is required. Drilling is expected to commence within three months.
- In addition to meeting minimum drilling obligations, Dart Energy believes that successful exploration activity on this licence area could provide an extension of the Gunnedah Basin play. In addition, the southern boundary of this licence is proximate to existing pipeline infrastructure, such that the route to market for PEL 460 may ultimately be faster than other Gunnedah Basin / inland NSW licences (see attached map).
- Approval has been obtained to drill one core well with a land access agreement in place; approval for the second well is being sought. Local area consultation has been undertaken.

Prior to commencement of the 60 day moratorium, Dart had already completed the first part of its proposed 2011 work program, meeting drilling obligations of one well each on PELs 459 and 464. These licences are located in the northern part of the Gunnedah Basin.

### **Objectives of Dart Energy's NSW Program**

- In all cases, the proposed exploration core holes will assist in verifying existing geological models and enable planning for low impact development and thus to demonstrate how CSG does and can co-exist with other uses of land and local community activities.
- Proposed appraisal wells, once drilled, will typically be followed by 6 - 12 months of production testing and technical evaluation. During this period Dart will seek to demonstrate to government, landholders and communities how a collaborative approach to CSG can contribute to a more sustainable energy future for NSW.
- Exploration holes and production pilots will also, subject to results, enable Dart Energy to continue the process of resource and reserve maturation. Dart Energy expects that pilot wells on PEL 458 and PEL 456 will enable first reserve estimations to be obtained during 2012 (though now delayed from 2011).

In addition to planned exploration and appraisal activities, Dart Energy continues to progress discussions with industry leaders for the provision of technology for small (co / tri-generation) to medium scale power plants that, in the fullness of time, can provide cleaner energy sourced from CSG to local and regional communities.

Given the abovementioned operational priorities, drilling activity on other licences in Dart Energy's NSW portfolio is not expected to commence until after the drilling operations in PELs 458, 456 and 460 are complete. This includes any drilling on PEL 463 (in relation to which there has been recent media speculation that Dart Energy intends to commence near-term drilling in the suburb of St Peters). Activities on Dart Energy's other NSW licences over the next 12 months will comprise mainly study work and technical evaluation, which will continue in parallel with active local community and government engagement.

Dart Energy's CEO Australia, Mr Robbert de Weijer said:

*"Dart Energy's exploration licences in NSW have significant gas resource potential that we are striving to explore and mature such that it can be a safe, reliable, clean energy alternative in the domestic energy market of NSW. We are keen to work proactively with the NSW government within the new approvals framework, so as to demonstrate that the new processes are effective and can provide the necessary transparency for all involved, including the relevant communities".*

With regards to PEL 463 Mr de Weijer said: *"Exploration drilling in the St Peters area is not a priority for Dart Energy and, in fact, drilling operations in any part of this large 2400 km<sup>2</sup> licence area aren't expected to commence until at least mid-2012 and this is unlikely to be at St Peters."*

Dart Energy's CEO and Managing Director, Simon Potter added:

*"Santos' recent offer for Eastern Star Gas confirms Dart Energy's strategic view of both the technical and commercial worth of the NSW coal bed methane industry and its ability to contribute gas to the future overall NSW energy mix. For the next 12 – 18 months our focus in NSW is exploration and appraisal work on our most highly prospective licences to assess options for early development. This means working closely with rural and metropolitan communities to explain our activities and address concerns".*

*"At the same time, our activities in NSW should be considered in the broader Dart Energy context, where we have a global portfolio of CBM assets. A significant benefit of our portfolio is that, in pursuit of early monetisation, we are able to accommodate and compensate for the variable pace of activity in different regions. Thus we are able to balance the need for, and time impact of, addressing the concerns of local communities in NSW over the next 12 – 18 months against ongoing and indeed, accelerated, activity elsewhere in our global portfolio. This accelerated activity outside of Australia will see early development spending at more advanced licences, commencement of exploration activities necessary to establish the scale potential of our bigger licences, initial cash flows by mid-2012 and a continuing process of reserves maturation, with material increases in our 2P and 3P reserve position expected."*

## **ENDS**

For and on behalf of the Board  
Paul Marshall, Company Secretary

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*The reserve and resource estimates used in this announcement were, where indicated, compiled by Dan Paul Smith and John Hattner of Netherland, Sewell & Associated, Inc., Dallas or by Mr Doug Barrenger of MBA Petroleum Consultants and are consistent with the definitions of proved, probable, and possible hydrocarbon reserves and resources that appear in the Australian Stock Exchange (ASX) Listing Rules. Mr. Smith, Mr Hattner and Mr Barrenger are each qualified in accordance with the requirements of ASX listing rule 5.11 and each consent to the use of the resource and reserve figures in the form and context in which they appear in this announcement.*

**Dart Energy Position Statements in relation to NSW CSG**

Dart Energy is committed to being open and transparent in relation to its activities – current and planned – in NSW and to clearly communicate its position on key issues. A summary of Dart's current position on several key issues is as follows:

1. **Energy Mix** - Dart Energy believes that CSG can and should form a part of NSW's long-term energy mix. This is because:
  - (i) gas is currently less than 10% of the overall energy mix in New South Wales, more than 90% of which is imported from out of State;
  - (ii) there is an abundance of coal seam gas in NSW, creating the opportunity for a sizeable local industry to be created – similar to that which has evolved in Queensland – resulting in additional jobs and economic benefit; and
  - (iii) CSG is a cleaner and greener energy alternative than coal and should assist with the objective of reducing NSW's carbon footprint.
  - (iv) Independent and internal studies suggest an emerging gas supply shortage in NSW from 2012 onwards which will widen up to several hundred petajoules per annum by the end of this decade. Dart believes it can play a significant role in filling this gap.
2. **Fracking** - Dart Energy will not frac wells in NSW unless deemed acceptable and approved by the relevant authorities and unless there has been adequate community dialogue.
3. **BTEX** - Dart Energy does not and will not use BTEX as direct additives in its operations.
4. **Protecting Aquifers** - Dart Energy wells are double-cased with steel and cement to ensure aquifers are fully protected.
5. **Engagement** - Dart Energy is committed to being entirely transparent in its operations and to share information openly with local communities and regulators alike, as occurs in all Dart Energy international operations. Dart Energy will engage proactively with local communities in NSW and participate in appropriate industry forums and groups, with a view to clearly articulating what Dart Energy considers to be the benefits, risks and optimal future industry regulation for the CSG industry in NSW, and Australia more broadly.
6. **Sustainable development** - Dart Energy is committed to ensuring that CSG activities can co-exist with other uses of land and local community activities. For example, this could include drilling in commercial and industrial areas but would exclude residential areas, parks or other public recreational areas in semi-urban or metropolitan areas.

## Regional Map of CBM Licence areas in NSW

