



# Drillsearch Energy Limited

## ASX RELEASE

### Quarterly Report Period Ended 30<sup>th</sup> September, 2007

(Abbreviations - See page 9)

#### HIGHLIGHTS

- Quarterly sales and revenue of 32 mmboe and \$2.9 million
- Continued drilling success in the Cooper Oil Project
- Hydrocarbons discovered in Marina-1 wildcat exploration well

#### 1. Sales Volumes & Revenue

Drillsearch's petroleum sales volumes and revenue for the quarter ending 30<sup>th</sup> September, 2007 are set out below. Comparative figures with previous quarters are also summarised.

<i>Drillsearch Group</i>	<i>September 2007</i>	<i>June 2007</i>	<i>September 2006</i>
<b>Sales Volumes (BOE)</b>	32,421	50,967	43,923
<b>Group Sales Revenue (A\$) Net of GST</b>	<b>2,910,293</b>	<b>\$4,281,693</b>	<b>3,895,494</b>

Sales for the September quarter were lower than for the previous quarter. The June Moonie to Brisbane oil pipeline leak has resulted in a decrease in production and transport of oil from the Tintaburra and Naccowlah blocks in SW Queensland. This has had a negative impact on Drillsearch sales and revenue for the quarter. The producing fields were brought back onto base production levels mid-September.

#### 2. Drilling for Growth – Development and Exploration Results

##### Cooper Oil Project – Drilling Success Continues

Drillsearch continued its successful oil drilling campaign under the Cooper Oil Project during the quarter, with drilling at both the Tintaburra and Naccowlah Blocks.

- At the Tintaburra Block 8 wells were drilled all of which were cased and suspended as future oil producers or water injectors.
- Drillsearch participated in 11 wells at the Naccowlah Block, of which 6 were cased and suspended as future production wells and 5 were P&A'd. One well was spudded on 30<sup>th</sup> September 2007.

ATP-299-P Tintaburra Block  
*Drillsearch - 10% Working Interest*

Talgeberry

Completion of the Talgeberry delineation program occurred this quarter with 4 wells drilled in the field. The goals of this program were to provide delineate the Birkhead reservoir in the field and exploit the Wyandra Formation. The wells encountered Birkhead, Murta, and Wyandra reservoirs and will provided oil production and injection wells for pressure support to the Talgeberry Field.

Mulberry

The 4 well direction drilling programme at Mulberry was completed during this quarter. This directional drilling programme added producing wells around the Mulberry 7 injection this will develop incremental reserves from the mid Birkhead reservoir unit by improving sweep efficiency and accelerate production of existing reserves. In addition to improved production, drilling of the directional wells was done from a single drilling pad location this has provided environmental benefits and a reduction of drilling costs.

The drilling success in the last quarter at Takyah Field generated an additional development / delineation well, Takyah 5. Takyah 5 was completed this quarter as an oil production well. Takyah 5 encountered oil pay in the Murta and Birkhead formations, however the Birkhead has been interpreted to be very tight and the well has been cased and suspended as a Murta production well.

*ATP-259-P Naccowlah Block*  
*Drillsearch - 2% Working Interest*

Drilling in the Naccowlah Block has continued to provide Drillsearch with successes a total of 11 wells were drilled in the Block with 5 wells cased and suspended as production wells, 5 P&A'd and one which had spudded on 30<sup>th</sup> September. Wells drilled in this quarter have resulted in one Westbourne, two Murta, and two Hutton producers. Drilling of four well programme at Jackson and Jackson South began this quarter, this programme will appraise and further develop the Westbourne and Hutton Formations near Jackson and Jackson South.

Drilling Summary

Details of drilling results are progressively released to the ASX as Weekly Drilling Updates

A summary of the wells completed from 1<sup>st</sup> July, 2007 to 30<sup>th</sup> September, 2007, is set out below:

*Tintaburra – W.I 10%*

Well	Type	Status as at 30 <sup>th</sup> September, 2007	On line
Talgeberry 22	Delineation	C&S Producer/Injector	-
Talgeberry 18	Delineation	C&S Producer/Injector	-
Talgeberry 20	Delineation	On Production	September 2007
Mulberry 32	Development	C&S Producer	-
Mulberry 31	Development	C&S Producer	-
Mulberry 33	Development	C&S Producer	-
Mulberry 34	Development	C&S Producer	-
Takyah 5	Delineation	C&S Producer	-

*Naccowlah – W.I. 2%*

Well	Type	Status as at 30 <sup>th</sup> September, 2007	On line
Naccowlah South 15	Appraisal	C&S Producer	-
Naccowlah West 20	Appraisal	C&S Producer	-
Naccowlah West 21	Appraisal	C&S Producer	-
Carney South 1	NFE	P&A	-
Jackson South 13	Appraisal	C&S Producer	-
Naccowlah 3	Appraisal	P&A	-
Muchacho 1	NFE	P&A	-
Piniata 1	NFE	P&A	-
Pitchery 3	Appraisal	C&S Producer	-
Jackson South 12A	Appraisal	P&A	-
Jackson 47	Development	Spudded	-

\*\* NFE – Near Field Exploration; C&S Injector – cased and suspended pending completion as a water injection well; C&S Producer – cased and suspended pending completion as a oil production well; P&A – plugged and abandoned

Production Projection Revised Down

Drillsearch's anticipated share of production from south-west Queensland will be negatively impacted by the recent problems with the Moonie-to-Brisbane Pipeline, as the Joint Venture must be trucked from south-west Queensland.

Drillsearch's share of oil production from its SW Queensland joint venture interests will be approximately 115,000 bbls in the for calendar 2007.

Reserves

The successful COP drilling increased Drillsearch's 2P reserves to 2.59 million barrels in the year to 31<sup>st</sup> December, 2006.

Further drilling this year has continued at a high success rate (see Table 3 and 4) and 2P reserves in SW Queensland should further increase.

**Bonaparte Gulf, WA – Marina-1**Southern Bonaparte Gulf, Offshore WAWA-318-P

*Drillsearch - 100% Working Interest – Operator*

Drilling of the high impact Marina-1 wildcat exploration well began in the quarter. The well was spudded on 18<sup>th</sup> September 2007. The Marina Prospect was identified on seismic surveys undertaken by Drillsearch followed by extensive geoscience work by its technical team. The well was drilled in joint venture with Esso Ventures Pty Limited; Drillsearch remained the operator during drilling of Marina-1 and contributed 15% of the well costs to retain a 35% interest.

Marina-1 has encountered hydrocarbons over 5 zones with trace oil fluorescence in the cuttings. At the end of the quarter Marina-1 had reached TD and logging and sampling operations were underway. Marina-1 has provided encouragement to conduct additional exploration in the permit.

### **3. Exploring for Growth**

#### ATP-783-P – Cooper Basin – SW Queensland Drillsearch – 100% Working Interest

The formal farm in agreement with Santos Limited was signed and Santos is advancing native title negotiations with the aim of having them completed around November, 2007.

#### ATP-823-P – Surat Basin – East Queensland Drillsearch – 100% Working Interest

Drillsearch continued compilation of the seismic database and geoscientific studies.

#### Pickanjinie No. 10 Well - PL 5, Queensland - Drillsearch – 75% Working Interest in the Well

The well continues to produce sales gas.

#### Southern Bonaparte Gulf, Offshore WA

#### **Turtle/Barnett, WA13R – NT/RL3 – Appraisal Drillsearch – 100% - Operator**

During the quarter Drillsearch continued reprocessing of the vintage seismic data covering the Turtle/Barnett project area, focusing on the leads identified by previous mapping and interpretation.

#### Carnarvon Basin, Offshore WA

#### **WA-352-P - Drillsearch 100% Operator**

Drillsearch has completed the re-processing 400 line kms of 2D seismic data and has begun interpretation of a previously identified prospect up dip from the Amulet oil discovery.

#### Papua New Guinea

#### **PPL.224 - Drillsearch – 5% Working Interest**

The operator obtained an extension of the time within which a decision could be made to drill a test of the 1.4 TCF Flinders Prospect.

### **4. OPERATIONS – CANADA**

*Operations are conducted by Circumpacific Energy Corporation, a Canadian subsidiary of Drillsearch Energy Limited*

Gross petroleum revenue for the quarter ended 30th September, 2007, was A.\$2,094,467.

No additional drilling or seismic surveys were undertaken during the quarter.

## 5. CORPORATE

### Share Purchase Plan

The 2007 share purchase plan ("SPP") closed on 15<sup>th</sup> August, 2007 and raised \$6.6 million. The issue price calculate under the terms of the SPP was \$0.11295 and resulted in approximately 59 million new shares. The SPP shares were allotted on 20<sup>th</sup> August, 2007, with 34% of Drillsearch shareholders participating.

In addition to the SPP, on 6<sup>th</sup> of September, Drillsearch announced a one for four non-renounceable rights issue at an issue price of ten cents. It was announced on 8<sup>th</sup> of October that the rights issue raised over \$9.1 million dollars.

## 6. PETROLEUM SALES, REVENUE AND CAPITAL EXPENDITURE SUMMARY – QUARTER ENDED 30th SEPTEMBER, 2007

### Sales Volume – BOE

	<b>Sales Volume</b> 1 <sup>st</sup> Quarter Ended 30 <sup>th</sup> September, 2007	<b>Sales Volume</b> 4 <sup>th</sup> Quarter Ended 30 <sup>th</sup> June, 2007
Drillsearch Energy Limited – Australia	9,041	26,493
Drillsearch Energy Limited – Canada	23,380	24,474
<b>Group Total</b>	<b>32,421</b>	<b>50,967</b>

### Sales Revenue - A\$

	<b>Revenue</b> 1st Quarter 30 <sup>th</sup> September, 2007 (Net of GST)	<b>Revenue</b> 4 <sup>th</sup> Quarter 30 <sup>th</sup> June, 2007 (Net of GST)
Drillsearch Energy Limited – Australia	\$815,827	\$2,371,194
Drillsearch Energy Limited – Canada	\$2,094,467	\$1,910,499
<b>Group Total</b>	<b>\$2,910,923</b>	<b>\$4,281,693</b>

### Capital Expenditures – A\$

	<b>Capital Expenditures</b> 1 <sup>st</sup> Quarter 30 <sup>th</sup> September, 2007 (Net of GST)	<b>Capital Expenditures</b> 4 <sup>th</sup> Quarter 30 <sup>th</sup> June, 2007 (Net of GST)
Drillsearch Energy Limited – Australia	\$4,502,906	\$4,600,497
Drillsearch Energy Limited – Canada	\$513,668	\$703,091
<b>Total Capital Expenditures</b>	<b>\$5,016,574</b>	<b>\$5,303,588</b>

Exchange Rate -- \$1 Australian = \$.8933 Canadian

Yours faithfully,  
**DRILLSEARCH ENERGY LIMITED**

**PETER SIMPSON**  
**CHAIRMAN**

**Abbreviations**

BOPD	Barrels of oil per day
BOE	Barrel of oil equivalent
BOEPD	Barrels of oil equivalent per day
bbls	Barrels of oil
C & S	Well cased following drilling and is awaiting completion
mmbbls	million barrels of oil
Mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
NFE	near field exploration well
P&A	plugged and abandoned
1P	Proved petroleum reserves
2P	Probable petroleum reserves
3P	Possible petroleum reserves
W.I.	Working interest
NGL's	Natural gas liquids