

# Drillsearch Energy Limited

ACN 006 474 844

ABN 73 006 474 844

ASX: DLS



Level 8, 16 Spring Street  
SYDNEY, NSW 2000, Australia

Telephone: +61 2 9241.4440  
Facsimile: +61 2 9241.4404

email: corporate@drillsearch.com.au

30<sup>th</sup> April, 2007

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
4th Floor  
20 Bridge Street  
SYDNEY NSW 2000

**FOR PUBLIC RELEASE**

Dear Sirs,

**Re: Drillsearch Energy Limited (“Drillsearch”)  
- Quarterly Report for the Period Ended 31st March, 2007**

(Abbreviations - See page 9)

## **HIGHLIGHTS**

### ***Record Petroleum Revenue – 9<sup>th</sup> Months Ended 31st March, 2007***

- Drillsearch achieved record petroleum revenues of \$10.4 million for the 9<sup>th</sup> months ended 31st March, 2007 and is on track to achieve a sales record for the 2007 financial year.
- Total group sales volumes and sales revenues net of GST received and accrued during the 9 months ended 31st March, 2007, with comparative figures were:

*Table 1*

<b><i>Drillsearch Group</i></b>	<b><i>2006 9 Months</i></b>	<b><i>2005 9 Months</i></b>
<b>Sales Volumes (boe)</b>	<b>137,187</b>	<b>76,447</b>
<b>Group Sales Revenues (A\$)</b>	<b>\$10,404,980</b>	<b>\$5,785,082</b>

Note: Sales adjusted to net of GST.

### ***Petroleum Volumes – 3<sup>rd</sup> Quarter to 31<sup>st</sup> March, 2007***

- Drillsearch group sales volumes in the 3<sup>rd</sup> quarter were satisfactory but lower than anticipated at 47,519 bbls (2<sup>nd</sup> Quarter: 47,876) affected principally by major rain events in SW Queensland in January. SW Queensland volumes, however, rebounded strongly and a sales record of 14,119 barrels was achieved in March, 2007.
- Production volumes and sales are expected to improve during the 4<sup>th</sup> quarter.
- Comparative figures with the previous quarter are shown in Table 2.

Table 2

<b>Drillsearch Group</b>	<b>Sales</b> <i>3<sup>rd</sup> Quarter Ended</i> <i>31st March, 2007</i>	<b>Sales</b> <i>3<sup>rd</sup> Quarter Ended</i> <i>31<sup>st</sup> December, 2006</i>
<b>Sales Volumes (BOE)</b>	<b>47,519</b>	47,876
<b>Group Sales Revenue (A\$)</b> <b>Net of GST</b>	<b>\$3,552,603</b>	\$3,137,525

### **Cooper Oil Project - Success Continues**

- Drillsearch continued its participation in the Cooper Oil Project. At Tintaburra 24 new wells were drilled of which 20 were cased and suspended as further oil producers or water injectors and 4 were plugged and abandoned.
- A 28 well drilling project commenced in the Naccowlah Block as part of the Cooper Oil Project.
- On 8<sup>th</sup> March, 2007, Drillsearch announced a major increase in its 2P petroleum reserves for the year ended 31<sup>st</sup> December, 2006. 2P reserves had increased 113% to 2.5 mmbbls.

### **Bonaparte Gulf, WA**

- Drillsearch has secured one (1) firm drilling slot and will drill the Marina 1 Wildcat Well to test the 235 mmbbl Marina Prospect in WA.318P in August, 2007.
- Drillsearch is in the final stages of negotiating a farmout of the Marina 1 Well.
- Marina 1 is a potentially company making well with potential reserves of 50 mmbbls.

## **A OPERATIONS – AUSTRALIA**

### **1. Australia – SW Queensland**

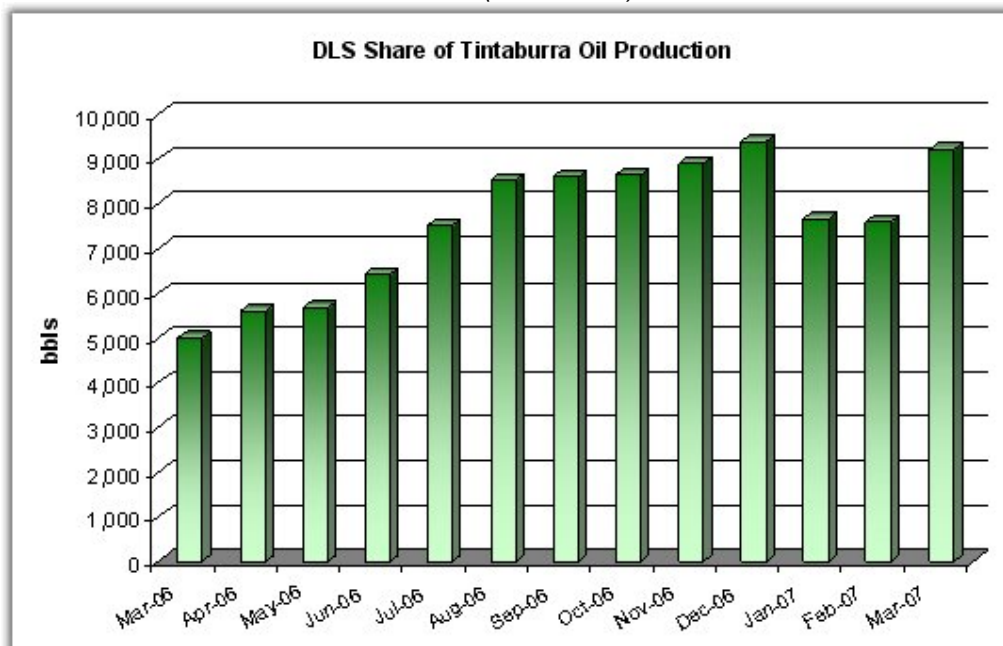
#### 1.1 Production Operations – SW Queensland

Oil production continued in ATP.299P, Tintaburra and ATP.259P, Naccowlah Blocks. Drillsearch recorded oil sales during the quarter of 31,809 barrels, (Last quarter: 26,684 barrels) for total oil sales of A\$ 2,585,334 (Net of GST).

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

Drillsearch's oil production from the Tintaburra Block decreased during the quarter to 24,462 bbls (Last quarter: 26,954 bbls).

Chart 1 – Tintaburra Oil Production (DLS Share)



Production operations were substantially interrupted by a major rain event in late January in SW Queensland, which disrupted production and transport of oil and tie ins. Sales rebounded very strongly in March, 2007, when Drillsearch recorded petroleum sales of 12,038 barrels at Tintaburra and total sales from SW Queensland of 14,119 bbls.. Sales volumes are expected to increase during the 4<sup>th</sup> quarter.

## 1.2 Development Operations – SQ Queensland

### 1.2.1 Cooper Oil Project – Tintaburra Block

#### **Introduction**

The Cooper Oil Project continued with a number of notable results:

- The 22 well Endeavour field development programme (Phase 3) continued during the quarter and has established Endeavour as a major stratigraphic oil pool extending 3 kms north to south and 5 kms east to west. Interpretation indicates that the pool probably extends 2 kms further west to the Eulo 1 well drilled in 2006, which indicates that the field may be 7 kms or more east/west.
- Remapping of 3D seismic combined with existing drill results at Minni Ritchi 1 is indicating the existence of further stratigraphic traps in the Birkhead Formation which will be addressed by additional drilling in 2007.
- Commencement of an 11 well development drilling programme at Mulberry field which resulted in extensions to the north/west of the known mid Birkhead reservoirs and provided indications of an upper Birkhead pool in the south/west section of the Mulberry field.
- Approval within the 2007 budget of a new 8 well delineation and NFE drilling programme extending from the Ipundu North field to the Kooroopa and Takyah fields in the west central section of the Block.

## ***Drilling***

### *Delineation and Development*

Oil delineation and development continued during the quarter with the completion of 24 new wells in the eastern section of the Tintaburra Block. Of these wells 20 were cased and suspended as future oil producers or water injectors, 24 were plugged and abandoned.

At the end of the quarter development drilling was continuing in the Endeavour and Mulberry fields.

### Endeavour

- Drilling at Endeavour field continued to extend the field to the west and south/west, most interestingly in the Endeavour 37, Kooyong 1 and Eulo 1 areas. The Endeavour field will provide additional development drilling opportunities. Drilling so far has not closed off the south/western extension of the known Birkhead Formation oil pools around Eulo.
- Although drilling to date in these areas has demonstrated lower productivity reservoirs than in the eastern section of the Endeavour field, the outer limits of the field have yet to be discovered.
- After the end of the quarter 17 of the 22 well Endeavour programme had been completed and the balance of the programme was suspended pending reservoir optimisation investigations.

### Mulberry

- The 11 well development drilling programme at Mulberry continued to provide extensions of the mid Birkhead reservoir zone. These extensions were principally to the west and south/west and an upper Birkhead pool was indicated in the south/west of the field.
- A notable result at Mulberry was the Huckleberry 2 well which extended the mid Birkhead reservoir unit significantly to the north/west.

### *Exploration*

No exploration drilling was undertaken during the quarter but preparations were commenced to undertake an 8 well delineation and NFE programme in the Kooroopa and Takyah fields to the south/west of Tarbat. Production at Kooroopa and Takyah is from both the Murta and Birkhead zones. Success in this programme will generate additional field development.

### *Drilling Summary*

Details of drilling results are progressively released to the ASX as Weekly Drilling Summaries and these summaries enclose maps showing well locations. (See Maps: ASX Release 8<sup>th</sup> September, 2006).

A summary of the wells completed from 1<sup>st</sup> January, 2007 to 31<sup>st</sup> March, 2007, is set out in Tables 2 & 3 below:

*Table 2 – Tintaburra*

Well	Operations	Type	Status as at 31st March, 2007	On line	Working Interest
Endeavour 40	New Well	Delineation	C&S	-	10%
Endeavour 26	New Well	Development	C&S	-	10%
Endeavour 34	New Well	Development	C&S	-	10%
Endeavour 33	New Well	Development	C&S water injector	-	10%
Endeavour 39	New Well	Delineation	C&S	-	10%
Endeavour 17	New Well	Development	C&S oil well/water injector	-	10%
Endeavour 36	New Well	Delineation	C&S	-	10%
Mulberry 29	New Well	Delineation	C&S	-	10%
Endeavour 35	New Well	Development	C&S	-	10%
Mulberry 35	New Well	Delineation	C&S	-	10%
Endeavour 25	New Well	Delineation	C&S	-	10%
Mulberry 26	New Well	Development	C&S oil well/water injector	-	10%
Mulberry 41	New Well	Delineation	C&S	-	10%
Mulberry 27	New Well	Delineation	C&S	-	10%
Mulberry 28	New Well	Development	C&S	-	10%
Mulberry 45	New Well	Delineation	P&A	-	10%
Mulberry 30	New Well	Delineation	C&S	-	10%
Mulberry 42	New Well	Delineation	C&S	-	10%
Huckleberry 2	New Well	Delineation	C&S	-	10%
Mulberry 44	New Well	Delineation	C&S	-	10%
Endeavour 31	New Well	Delineation	P&A	-	10%

*Table 3 - Naccowlah*

Well	Operations	Type	Status as at 31st March, 2007	On line	Working Interest
Gunna North 1	New Well	NFE	C&S	-	2%
Tequila 1	New Well	Appraisal	P&A	-	2%

### *Surface Infrastructure*

Installation of surface production infrastructure including power lines, fluid lines, PCP pumps and injection wells continued during the quarter but programmes were rain affected. During the quarter construction of a 135 km oil pipeline from the Tintaburra Block to the Jackson Oil Facility in the Naccowlah Block commenced. At the end of the quarter the line clearing for this pipeline had been completed and the project was on track for completion in July, 2007.

### **Forward Drilling Programme - 2007**

On 16<sup>th</sup> April, 2007, the Ipundu North 12 delineation well was spudded. This was the 100<sup>th</sup> well in the current Cooper Oil Project in the Tintaburra Block. It was also the 24<sup>th</sup> well to be drilled in 2007. Under current budgets, it is anticipated that around 50 additional wells will be completed in 2007.

The principal drilling areas will be:

- Talgeberry/Endeavour trend,
- Completion of Mulberry 11 well development well programme.
- 6 additional development wells at the Talgeberry field.
- Additional NFE's in the Cranstoun/Gimboola area.
- 8 well delineation and development drilling programme in the Tarbat – Kooroopa – Takyah area
- Additional drilling in those fields depending on results.

## **Surface Infrastructure - 2007**

The forward infrastructure and facilities development plan will continued and include:

- Completion of the Tintaburra Block to Jackson pipeline.
- Additional surface production infrastructure in the Tintaburra Block and the Naccowlah Block.
- Continue to tie in successful wells.
- Continue water flood operations at Endeavour/Mulberry.

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

Drillsearch commenced participation in this part of the Cooper Oil Project in the Naccowlah Block. By the end of the quarter it had participated in 2 wells, Gunna North 2 and Tequila 1. (See Table 3 above).

### 1.4 ATP.783P ("Chandos Block") *Drillsearch - 100% Working Interest*

The formal farm in agreement and JOA with Santos Limited was signed. Native title negotiations are in progress.

## **2. Australia – East Queensland**

### 1.2 ATP.823P – Surat Basin *Drillsearch – 100% Working Interest*

Drillsearch continued compilation of the seismic database and geoscientific studies.

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

The well continues to produce sales gas.

## **3 Australia – Western Australia (WA)**

### 3.1 Southern Bonaparte Gulf, Offshore WA

#### 3.1.1 WA.318P *- Drillsearch - 100% Working Interest – Operator*

Drillsearch undertook detailed planning to drill the Marina 1 Wildcat Well on the 235 mmbbls potential Marina Prospect within WA.318P. Success in this well will take Drillsearch into a major project with potentially 50 mmbbls of reserves.

It is anticipated that this well be drilled in August, 2007. The contracted rig is the Premium Drilling MODU, "Wilcraft", which commenced drilling in the north Perth Basin in mid April, 2007. Drillsearch is in the final stages of negotiating a farmout of this well.

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

Drillsearch undertook additional seismic studies on the Turtle/Barnett data.

It undertook negotiations with the joint authority as to the renewal and/or extension of the leases. Subject to renewal and/or extension, Drillsearch will undertake the following projects:

- Complete pre-stacked depth migration reprocessing of the entire seismic data base.
- 100 sq. kms of new 3D seismic to define the Messner and Turtle 1 up-dip prospects.
- Hydrographic surveys
- Plan for appraisal drilling in the 3<sup>rd</sup> quarter 2008.

3.2 Carnarvon Basin - WA.352P  
*Drillsearch 100% Operator*

Drillsearch continued re-processing 400 line kms of seismic data and has identified a potential prospect up dip from the Amulet oil discovery.

**4 Papua New Guinea**

PPL.224 - (Drillsearch – 5% Working Interest)  
*Operator: Talisman Oil Limited*

AVO and geological studies continued during the quarter. Further studies were continuing as a prelude to the joint venture making a decision by mid 2007 as to whether it would proceed to a drill test of the Flinders Prospect.

**B OPERATIONS – CANADA**  
**Operations are conducted by Circumpacific Energy Corporation, a Canadian subsidiary of Drillsearch Energy Limited**

Gross petroleum revenue for the quarter ended 31<sup>st</sup> March, 2007, was A.\$967,269.

Kakwa – Non Unit Lands – West Central Alberta - Circumpacific Interest 12.5%

The 10-20 well at Kakwa was connected and stabilised at 1.5 mmcf gas per day.

Colgate – Saskatchewan

Two dual leg horizontal wells were completed and tied in. The first well is producing 190 bopd (23.5 bopd net to CER). The second well is still being swabbed and yielding 100% water, although the operator expects it to clean up and produce oil. Three further horizontal wells are proposed at Colgate

Willesden Green

CER acquired an additional 2% working interest to move to a 24.46% interest. The new 16-36 well came on-stream in February at 100 bopd and 250 Mcfg/d. CER also participated in the 12-19 well which was completed.

## C CORPORATE

### 1. Reserves

Drillsearch's reserves for the period ended 31<sup>st</sup> December, 2006, were announced to the ASX on 8<sup>th</sup> March, 2006. In the 12 months 2P reserves had increased 113% to 2,539,866 boes driven principally by the Cooper Oil Project.

Continuation of current high drilling success rates at Tintaburra in 2007 is expected to again lift those reserves at end 2007.

Drillsearch's reserve life index is in excess of 15 years.

Drillsearch commenced utilising its own reservoir engineering software and completed a production and reserve evaluation of its south/west Queensland reserves. These correlated to within 5% of the reserves calculated by the operator.

### 2. Meridian Loan Facility

At the end of the quarter Drillsearch was negotiating an addition and extension of its Meridian loan facility based on the major reserve increase achieved in 2006.

## D PETROLEUM SALES, REVENUE AND CAPITAL EXPENDITURE SUMMARY – QUARTER ENDED 31<sup>st</sup> MARCH, 2007

**Exchange Rate -- \$1 Australian = \$.9216 Canadian**

Table 4  
**Sales Volume – BOE**

	<b>Sales Volume</b> 3 <sup>rd</sup> Quarter Ended 31st March, 2007	<b>Sales Volume</b> 9 Months to 31 <sup>st</sup> March, 2007
Drillsearch Energy Limited – Australia	31,809	79,595
Drillsearch Energy Limited – Canada	15,710	57,592
<b>Group Total</b>	<b>47,519</b>	<b>137,187</b>

**Sales Revenue - A\$**

	<b>Revenue</b> 3 <sup>rd</sup> Quarter 31st March, 2007 (Net of GST)	<b>Revenue</b> 9 Months to 31 <sup>st</sup> March, 2007 (Net of GST)
Drillsearch Energy Limited – Australia	\$2,585,334	\$6,952,644
Drillsearch Energy Limited – Canada	\$967,269	\$3,452,336
<b>Group Total</b>	<b>\$3,552,603</b>	<b>\$10,404,980</b>

**Capital Expenditures – A\$**

	<b>Capital Expenditures</b> 3 <sup>rd</sup> Quarter 31st March, 2007 (Net of GST)	<b>Capital Expenditures</b> 9 Months to 31 <sup>st</sup> March, 2007 (Net of GST)
Drillsearch Energy Limited – Australia	\$6,322,591	\$16,858,936
Drillsearch Energy Limited – Canada	\$132,382	\$1,181,390
<b>Total Capital Expenditures</b>	<b>\$6,454,973</b>	<b>\$18,040,326</b>

[This report is based on information compiled by Philip F. Kelso, Managing Director, who is Bachelor of Science (Geology), a corporate member of the Australasian Institute of Mining and Metallurgy and a member of the Petroleum Exploration Society of Australia. He has had 16 years experience in the field of activity in which he is reporting].

Yours faithfully,  
**DRILLSEARCH ENERGY LIMITED**

**PHILIP F. KELSO**  
**MANAGING DIRECTOR**

**Abbreviations**

AOF	Absolute open flow test of well
AFE	Authority for expenditure for capital, e.g. drilling operations issued to joint venture participants to participate
AVO	Amplitude versus offset analysis of seismic data used to predict presence of hydrocarbons
BOPD	Barrels of oil per day
AMI	Area of mutual interest
BCF	Billion cubic feet
BOE	Barrel of oil equivalent
BOEPD	Barrels of oil equivalent per day
bbls	Barrels of oil
C & S	Well cased following drilling. Awaiting completion/production.
DHI	Direct hydrocarbon indicator.
GORR	Gross Overriding Royalty on petroleum revenue
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 producing field exploration well
P&A	plugged and abandoned
PCP	electric progressing cavity pump
psig	pounds per square inch at sea level
1P	Proved petroleum reserves
2P	Probable petroleum reserves
3P	Possible petroleum reserves
P&NG	Petroleum and Natural Gas
NPV	Net present value
W.I.	Working interest
WTI	West Texas Intermediate crude oil
NGL's	Natural gas liquids
Section	1 sq. mile (640 acres)
tie-in	Joining gas wells to gas transportation lines for processing and sale
tcf	Trillion cubic feet