

3 January 2012

Western Wet Gas Fairway - Baird-1 exploration well

- Baird-1 exploration well has been cased and suspended for future evaluation**

After reaching a total depth of 2,837 metres on 19th December the Baird-1 exploration well has been cased and suspended for future evaluation of potential deep coal seam gas (CSG) and tight oil bearing sands. Drillsearch Energy Limited (ASX:DLS) holds a 50% interest in PEL 106B and Beach Energy (ASX: BPT) as operator holds 50%.

The well encountered good hydrocarbon fluorescence and gas shows in sands throughout the Patchawarra and Tirrawarra section. In addition thick gassy Patchawarra coals were also intersected. Wire line logging coupled with a formation pressure and sampling program recovered a small quantity of oil from the Tirrawarra. Drillsearch analysis of the wire line logging data has interpreted probable tight oil zones in 5 sands below 2700m in the Lower Patchawarra and Tirrawarra. The well did not encounter conventional Patchawarra (Primary Objective) wet gas sands similar to those discovered in the Middleton and Brownlow Fields.

Subsequently a Drill Stem Test (DST) was run over a 17m interval of the thickest and most promising oil bearing interval of the Tirrawarra between 2752 to 2767 metres. The DST failed to retrieve hydrocarbons. Subsequent hole condition concerns mitigated against repeating the test.

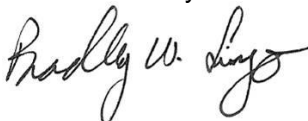
The Joint Venture therefore decided to case and suspend the well for future evaluation, primarily focused on deep coal seam gas potential and secondary tight oil.

Baird-1 was the first well in the Western Wet Gas Fairway exploration program which comprises 4 exploration wells in PEL 106B targeting the Patchawarra and Tirrawarra Formations located on the Western Flank of the South Australian Cooper Basin. Baird-1 is the first well drilled in PEL 106B located entirely outside of structural closure to test a pure stratigraphic defined wet gas trap.

The Ensign 30 rig will move to the second well in the program Admella-1 in the first week of January.

Drillsearch Managing Director, Brad Lingo said "This exploration well has significantly increased our understanding of the wet gas stratigraphic trap play in this area. In addition this well supports the potential for a tight oil and deep coal seam gas play in this and our adjoining 100% Drillsearch Operated permits. Additional testing and evaluation work will be required across each of these zones."

Yours faithfully

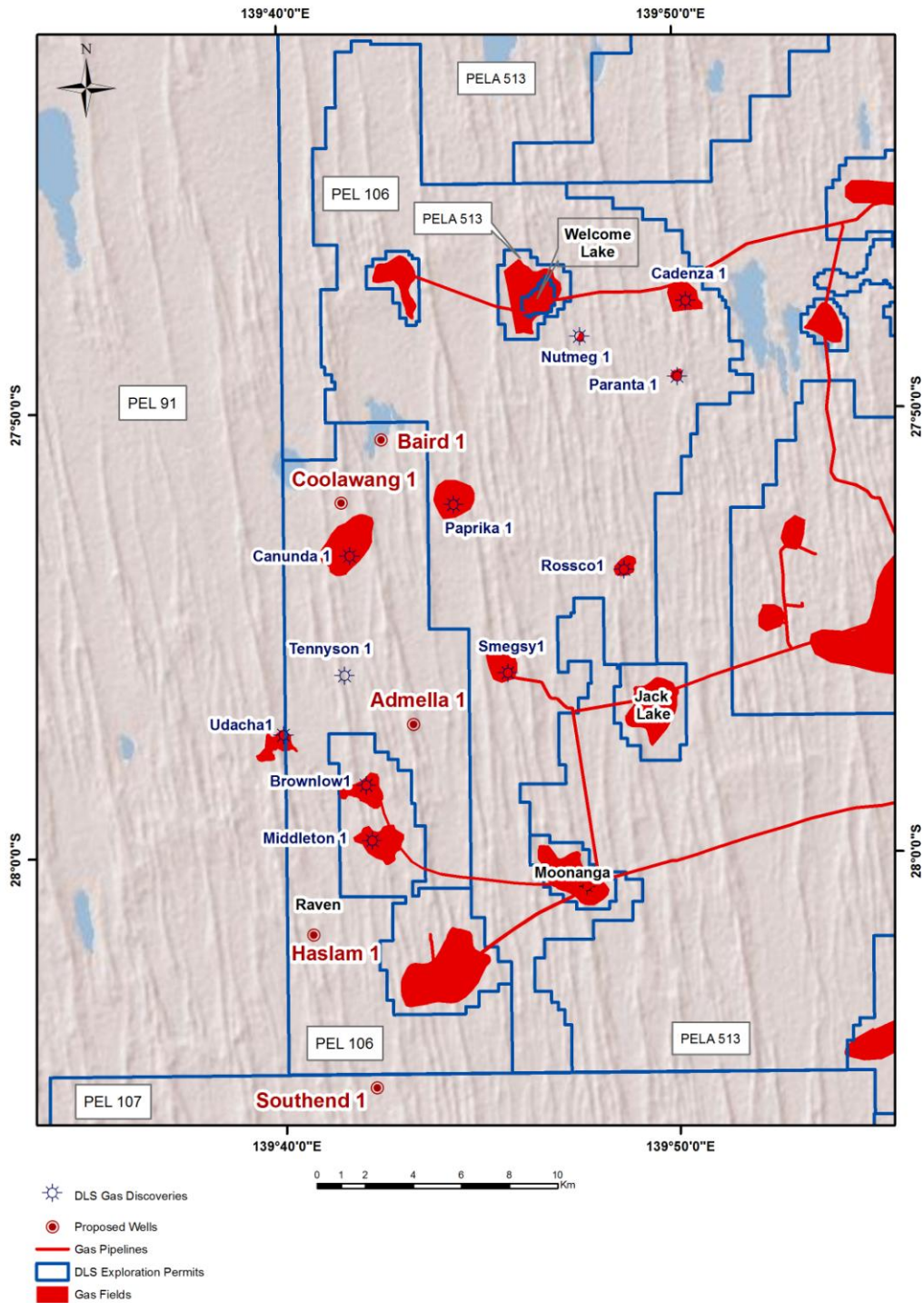


Brad Lingo
Managing Director
P+612 9249 9600
admin@drillsearch.com.au

Or visit the website www.drillsearch.com.au and register for email alerts

Media enquiries to:

David Greer, Executive Director, Radar Group, P+612 8256 3307, davidg@radargroup.com.au



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 has been 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.