

5 May 2011

887% Uplift in 2P Reserves; Board approves Development of Wet Gas Discoveries

- **Western Cooper Wet Gas discoveries declared commercial**
- **2P gas and liquids Reserves increase 887% to 8.49MMboe**
- **2P liquids Reserves increase 363% to 3.98MMboe**
- **Upgrade underpins initial Stage 1 development of Western Cooper Wet Gas discoveries**
- **Further Reserve increases expected from Canunda Extended Production Test and additional drilling planned for later in the year.**

Drillsearch Energy Limited (ASX: DLS) is pleased to announce that the Brownlow, Canunda, Middleton and Udacha Wet Gas discoveries in PEL 106B are commercial and justified for development, following a review by the Company's independent expert, Gaffney, Cline & Associates, Ltd (GCA).

GCA Independent Reserves Audit Review & Reserves Upgrade

GCA has independently confirmed that plans for the commercial development of the Brownlow, Canunda, Middleton and Udacha Wet Gas discoveries have progressed to the point that allows Drillsearch to upgrade the Contingent Resources to Reserves. The Company can now book the condensate, LPG and gas in each of these discoveries as commercial Reserves.

As part of the latest review, GCA also evaluated initial results from the Canunda Extended Production Test (EPT) and concluded that the recovery of gas liquids will be substantially higher than previously estimated.

GCA has estimated these Wet Gas discoveries contain Gross 2P Reserves of 13.92MMboe. Drillsearch's share of these discoveries is approximately 7.62MMboe, of which 3.11MMboe are liquid hydrocarbons (condensate and LPG).

Drillsearch Managing Director Brad Lingo said "We are extremely pleased with the confirmation in the upgrade in our 2P Reserves based on these very significant discoveries in the Wet Gas Fairway. More importantly, we are focused on the future commercial development of these discoveries and their near term production potential."

The table overleaf sets out the Company's Reserves and Resources position as at 4 May 2011.

Drillsearch Reserves & Contingent Resources					
	FYE 2010		4 May 2011		
2P Reserves	Gas & Liquids MMboe	Liquids Only MMbbls	Gas & Liquids MMboe	Liquids Only MMbbls	Total Gas & Liquids Reserve Increase over FYE 2010
Eastern Cooper Oil*	0.78	0.78	0.72	0.72	+887%
Western Flank Oil**	0.08	0.08	0.14	0.14	
Western Cooper Wet Gas	0.00	0.00	7.63	3.12	
Total Reserves	0.86	0.86	8.49	3.98	
2C Contingent Resources					
Eastern Cooper	0.28	0.28	0.28	0.28	69% of total Contingent Resources moved to Reserves from Wet Gas Project
Western Flank Oil	0.0	0.0	0.0	0.0	
Western Cooper Wet Gas	11.52	3.95	3.37	1.19	
Total Contingent Resources	11.80	4.23	3.65	1.47	
* Adjusted for production since 30 June 2010. To be reviewed by Gaffney, Cline & Associates in Annual Reserve Audit					
** Operator advice on Chiton 2P Reserve upgrade based on initial production results. To be reviewed by Gaffney, Cline & Associates in Annual Reserve Audit					

Canunda Extended Production Test (EPT) Provides Potential for Further Increase

GCA's current review of Canunda reserves and resources incorporates initial results from the Canunda EPT. This data has confirmed that the main reservoir is very gas liquids rich. The full suite of test data from the EPT, including results of the extended pressure build-up test, are expected to be available by end June. At that time Drillsearch will reassess the in place and recoverable gas volumes.

Drillsearch Managing Director Brad Lingo said "We are extremely encouraged by the recent results from the Canunda EPT. The value in the Canunda EPT combined with the other Western Cooper Wet Gas discoveries comes from the high condensate and LPG content.

"This is certainly the case with the Canunda Wet Gas discovery which has already produced over 15,000bbls of condensate over 423 hours of production and we haven't even been able to open the well up to its full bore potential yet."

Wet Gas Project Development – Stage 1

The upgrade of the Brownlow, Canunda, Middleton and Udacha Wet Gas discoveries from Contingent Resources to Commercial Reserves has been confirmed by GCA based on a review of an interim field development plan covering all four fields and the approval of this development plan by the Drillsearch Board of Directors based on draft commercial arrangements.

Following the successful EPT of the Brownlow Wet Gas discovery and initial testing of the condensate-rich Canunda Wet Gas discovery, Drillsearch has been focusing on an overall commercial initial pilot production project in conjunction with the Middleton and Udacha Wet Gas discoveries. Drillsearch has been working with Beach Energy as operator and 50% partner in PEL 106B to undertake plans to support the development. Based on this development work and proposed commercial arrangements, GCA has concluded that the Brownlow, Canunda, Middleton and Udacha Wet Gas discoveries are justified for development and thus classified as Commercial Reserves.

Drillsearch Managing Director Brad Lingo said “The initial development of these fields is seen as a pilot project and the beginning of a much larger regional multi-field development. This multi-field project will cover both PEL 106B, which we are in 50/50 Joint Venture with Beach Energy and also PEL 106A which Drillsearch holds on a 100% basis.

“Given we have drilled 12 exploration wells and made 10 Wet Gas discoveries, this area requires a more intensive exploration drilling focus. The GCA evaluation and the proposed development of a Wet Gas Pilot Project clearly demonstrate that this part of the Cooper-Eromanga Basin is not only commercial but an attractive proposition.

“We are actively looking to undertake significant additional appraisal and development drilling over the next year to further prove up these resources.”

Drillsearch and Joint Venture partner, Beach Energy Ltd (ASX: BPT), hold a common view that the Western Cooper Gas and Liquids discoveries can be commercially developed. The Joint Venture implementation planning for the development of PEL 106 B Wet Gas discoveries is continuing.

The Annual Reserves and Resources Review Process

This review is part of Drillsearch’s Annual Reserve and Resources review process and its policy of supporting the Company’s Reserve and Resources estimates with third party audit review and verification.

The review covers Drillsearch’s principal production and development assets and focuses on the Eastern Cooper Tintaburra Block JV, the Western Flank Oil Fairway incorporating PEL 91 and the Western Cooper Wet Gas Project Area incorporating PELs 106A, 106B, 107 and PELA 513.

For further information please visit the website www.drillsearch.com.au or contact:

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

Media
David Greer
Radar Group
02 8256 3333/3307
davidg@radargroup.com.au

About Drillsearch Energy Limited

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 an independent evaluation conducted by Gaffney, Cline & Associates and has been compiled under the supervision of Mr Steven Lane. Mr Lane is a Principal Advisor of Gaffney, Cline & Associates Singapore & Sydney Offices with over 30 years of industry experience. He holds a B.Sc. (Hons) Geology and is a member of the Petroleum Exploration Society of Great Britain. The technical analysis was performed primarily by Messrs Zis Katelis and David Remus. Mr Katelis has a B.Sc. (Hons) in Geophysics, is a member of the Society of Petroleum Engineers and the South East Asia Petroleum Exploration Society and has over 20 years industry experience. Mr. Remus holds a B.A. in Geology and Geophysics and is a life member of the South East Asian Petroleum Exploration Association (SEAPEX) with more than 31 years of experience in petroleum geosciences. These individuals have given their 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.

About Gaffney, Cline & Associates

Gaffney, Cline & Associates (GCA) is an independent international energy advisory group of over 45 years' standing. A substantial part of GCA's work involves the technical evaluation of petroleum properties and the provision of independent valuation of assets for inclusion in company or stock exchange statutory documentation.

The GCA Report was prepared in accordance with the SPE-PRMS guidelines and, in preparing the report, GCA maintained strict independence in accordance with the Valmin Code issued by the Australasian Institute of Mining and Metallurgy.

Applicable Reserves & Resources Reporting Guidelines & Defined terms

In the determination and classification of reserves and resources, Drillsearch Energy Ltd applies the Society of Petroleum Engineers Petroleum Resource Management System ("PRMS Guidelines"). The terms "Reserves" and "Contingent Resources" used in this release are as defined by the PRMS Guidelines as provided below:

"2P" means the Sum of Proved Reserves plus Probable Reserves

"Commercial" is defined as a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances but, in general, should be limited to around 5 years.

"Contingent Resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

"Proved Reserves" means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as development or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as P1, sometimes referred to as "proven".

"Probable Reserves" means unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

"Possible Reserves" means unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved, plus probable, plus possible reserves. In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing, based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned, but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area. Often referred to as P3.

"Reserves" means those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward.