

MEDIA RELEASE

CONVENTIONAL GAS EXPLORATION IN THE SYDNEY BASIN – AP01 RE-ENTRY

23 March 2007

Sydney Gas Ltd (SGL) is a participant in the Joint Ventures, which operate Petroleum Exploration Licences 2, 5 and the Camden CSG field. The Joint Venture has identified four potential locations within the Camden development where wells may be drilled to assess a new conventional gas exploration target, a pinch-out structure in the Lower Wilton formation, specifically the Marrangaroo conglomerate, a lower permeability, fluvial sandstone.

The first of these sites is AP01, which is the location of a previous CSG exploration well, which could be re-entered and deepened to the Marrangaroo horizon.

Rig-28 was moved to the AP01 location on the 6 March, subsequently re-entering the existing well and tagging cement at 676m. It has drilled forward a 4¾" open-hole, using a water based mud system to 860m, which was approximately 12m above the original Marrangaroo horizon prognosis of 872m.

At this point the well was converted to air-based drilling to limit "formation invasion" by water from the drilling mud, while drilling through the Marrangaroo, although this can make identification of formation horizons more difficult and did so on this occasion. The overlying coal marker, the Woonona Coal, though poorly developed was identified at 876m, approximately 7m deep to prognosis, which is within normal error margins. The top Marrangaroo was encountered at 885m – 890m, 15m - 20m deeper than prognosis, which needs to be confirmed by wireline logs. The well was then drilled on to a total depth of 938m.

The well was shut-in over night with wellhead pressure building to a little over 50 psi. Two gas samples have been obtained for analysis which may assist in identifying hydrocarbon gas concentration in the open-hole interval.

Estimates of formation permeability, based on a very limited flow test suggest permeability much less than was being targeted in the Marrangaroo conglomerate.

The go-forward plan is to convert back to a water-based KCl mud system, which is more suitable for a full suit of wireline logs, prior to logging, which will be done next for a more precise identification of these horizons.

AGL Energy Ltd, the operator of the Camden Gas Project in a 50-50 joint venture with Sydney Gas Ltd, has been responsible for supervising the drilling of the AP01 exploration well.

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