

## **MEDIA RELEASE**

### **Metgasco and CS Energy announce farm-in and gas sale deal**

- **CS Energy and Metgasco have signed a farm-in agreement with an appraisal commitment of \$11 million**
- **Goal to establish 540 Petajoules in 2P gas reserves within 15 months**
- **Heads of agreement on gas sales to the Swanbank power station of 18 Petajoules per year**
- **Total value of gas sale agreement over \$1 billion**

**13 December 2006:** Australian energy company Metgasco (ASX:MEL) today announced it has entered into a farm-in agreement with CS Energy worth \$11 million. The goal of the farm-in is to prove 2P gas reserves (proven and probable) of 540 petajoules (PJ) which will be used to supply 18 PJ of gas per year to CS Energy. This represents a gas sale value of over A\$1 billion over the proposed 20 year term.

In addition, a new gas pipeline between New South Wales and Queensland will be built and owned by Metgasco to supply gas to the Swanbank Power Station in Queensland.

David Johnson, Metgasco Managing Director, said: "We are extremely pleased to welcome CS Energy as our farm-in partner in the Clarence Moreton basin. CS Energy understands the coal seam gas business and has been at the forefront in contracting with coal seam gas companies in Queensland. It is a strong demonstration of CS Energy's confidence in the coal seam gas industry and in the commercial opportunity offered by Metgasco."

Mark Chatfield, CS Energy CEO, added: "This project reflects our commitment to grow our gas fired operations and to identify new sources of gas supply. Under the farm-in agreement, CS Energy will have access to 540 Petajoules of gas over 20 years, delivered to Swanbank via a dedicated gas pipeline. This volume of gas is sufficient to expand Swanbank to add an additional large gas turbine. This project diversifies our sources of gas supply and reduces our reliance on a single gas pipeline. The whole project fits very well with our strategy to shift towards low cost, mixed fuel generation."

Under the farm-in agreement, CS Energy will spend \$11 million in two stages to earn an initial 15% interest in the coal seam gas rights to three graticular blocks within the tenement PEL 16. This tenement is near the northern NSW town of Casino and is wholly owned by Metgasco. Reserves of 1,123 PJ (3P) have been established to date in this tenement. The goal of the farm-in is to convert a large proportion of these 3P (proven, probable and

possible) reserves into the 2P (proven and probable) category and to establish 2P gas reserves of 540 PJ over the next 15 months.

The \$11 million investment will take place in two stages. The first stage will entail drilling ten exploration wells in the farm-in area. The second stage will entail conducting a pilot appraisal program on a number of coal seams which have not been the focus of Metgasco's activities to date. Metgasco and CS Energy have worked with MHA Petroleum Consultants, who have certified Metgasco's reserves to date, to develop a work program which will meet this objective.

Once these reserves are established, which is expected to take 15 months, CS Energy intends to invest a further \$94.5 million to fund the development of Metgasco's field in order to supply 18 PJ of gas per annum to Queensland. This will increase CS Energy's interest in the farm-in area to 50%. Metgasco will continue to be the Operator of the field. Metgasco will immediately commence development work on the proposed gas pipeline to Queensland with a goal to deliver gas by 2010.

Mr Johnson said: "The investment by CS Energy will double the exploration expenditure spent on our field to date and will dramatically fast-track the commercialisation of our Casino operations by underwriting both the development of our gas reserves and the construction of key gas transportation infrastructure."

Metgasco's field has the largest independently certified gas reserves in NSW. This commitment announced today will fast track the development of a major new source of gas supply for both Queensland and New South Wales and contribute to regional development and employment. The Casino gas project is the closest gas supplier to the coastal regions of South East Queensland and North Eastern New South Wales which are the fastest growing energy markets in Australia.

## **ENDS**

### **About Metgasco**

Metgasco is a listed Australian energy company developing coal seam methane gas supplies for the eastern Australian energy market. It listed on the Australian Stock Exchange in December 2004 (ASX: MEL).

Metgasco holds the largest independently certified gas reserves in NSW, with over 1 trillion cubic feet located in the Clarence Moreton Basin in Northern NSW near the town of Casino.

### **Operational Details**

Metgasco holds 100% of PEL16 located near Casino and Lismore in northern New South Wales. The total size of the tenement is 11 graticular blocks. PEL 16 contains gas reserves of 1,123 Petajoules (3P) and 22 Petajoules (2P).

### **About CS Energy**

CS Energy is a Queensland Government-owned electricity generator. With around 500 employees across five Queensland sites, CS Energy operates almost 2,500 megawatts of capacity. Around 30 percent of the Company's portfolio is fuelled by gas, making CS Energy Queensland's largest producer of gas fired electricity.

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