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Announcement to ASX**Drilling Update Report
Udacha-1**

The Udacha-1 exploration well at 06:00 hrs (CST) on 8 February was at a total depth of 2728 metres in the Merrimelia Formation, and a wiper trip was being conducted prior to running casing.

Elevated gas readings and fluorescence were encountered during drilling in the Patchawarra Formation. After reaching total depth and running wireline logs, a Drill Stem Test was conducted over an interval in the Patchawarra Formation. Previous attempts to run a DST were aborted due to hole conditions.

DST-1A:

Interval: 2482.5–2488 metres
Formation: Patchawarra Formation
Result: Gas flowed to surface in 20 minutes. The final rate was 0.44 million cubic feet/day (12.5 thousand cubic metres/day). The flowing pressure was building throughout the flow period and reached a maximum of 300 psi against a ¼ inch surface choke. There was no oil or formation water during the flow or in the recovery.

The well is being cased and cased-hole testing is being considered subject to the results of current wireline and DST evaluations.

Magellan is participating in the drilling of the Udacha-1 well under a farmin arrangement with Great Artesian Oil and Gas Limited whereby Magellan will earn a 30% participating interest in any commercial hydrocarbon discovery and related Petroleum Production Licence.

Udacha-1 well Details:

Petroleum Title: PEL 91, South Australia
Location: 12 km northwest of the Moonanga gas field and 17 km east of the Sellicks oil field in the Cooper-Eromanga Basin
Coordinates: Latitude: 27° 57' 15.94" South
Longitude: 139° 40' 02.18" East (GDA94)
Drilling Rig: Century Rig No.3
Total Depth: 2728 metres

Participants in the Udacha-1 well are:

Great Artesian Oil and Gas Limited	32.5%
Magellan Petroleum (Southern) Pty Ltd (A wholly owned subsidiary of Magellan Petroleum Australia Limited)	30.0% *
Beach Petroleum Ltd (Operator)	15.0%
Enterprise Energy NL	12.5% *
Rawson Resources Limited	10.0% *
(* Subject to a commercial discovery)	

For further information, please contact Dr. Gwynn Davies, General Manager, on (07) 3224 1600.