

## **STATUS REPORT NO. 3**

18 December 2009

### **TESTING OPERATIONS STATUS FOLSCHVILLER 2 APPRAISAL WELL LORRAINE, FRANCE**

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#### **HIGHLIGHTS**

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- **Well testing of the major coal seams laterally intersected in the Folschviller 2 well is in progress.**
- **Testing of the first lateral was completed on schedule with encouraging results.**
- **The workover to access and test the lower seam is proceeding on schedule.**

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#### **STATUS REPORT**

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European Gas Limited (“European Gas” or “the Company”) is pleased to announce the status of testing of the Company’s Folschviller 2 appraisal well at the Company’s 100% owned Lorraine Project in eastern France.

- The multi-rate single phase flow test on the upper seam was completed on schedule.
- The workover operation successfully removed the packer, and the pump was then reinstalled at a lower level for testing the lower seam.
- The lower seam will be tested similarly to the first seam, with particular attention being paid to the suspected fracture zone within the coalseam.
- The exploration test results for the first seam show that while the permeability is low, coal properties indicate that it may be possible to drill long laterals in some parts of the basin to achieve production at economic levels without stimulation.
- The combination of high average gas prices and coals that have the integrity to allow extended, oriented drilling, and possibly stimulation, may provide a cost effective productive basis for future development

European Gas believes that with the encouraging results of Folschviller 2 testing to date, and with the exploration progress on the parallel Alsting structure, the contingent resources at Lorraine are a step closer to future development.

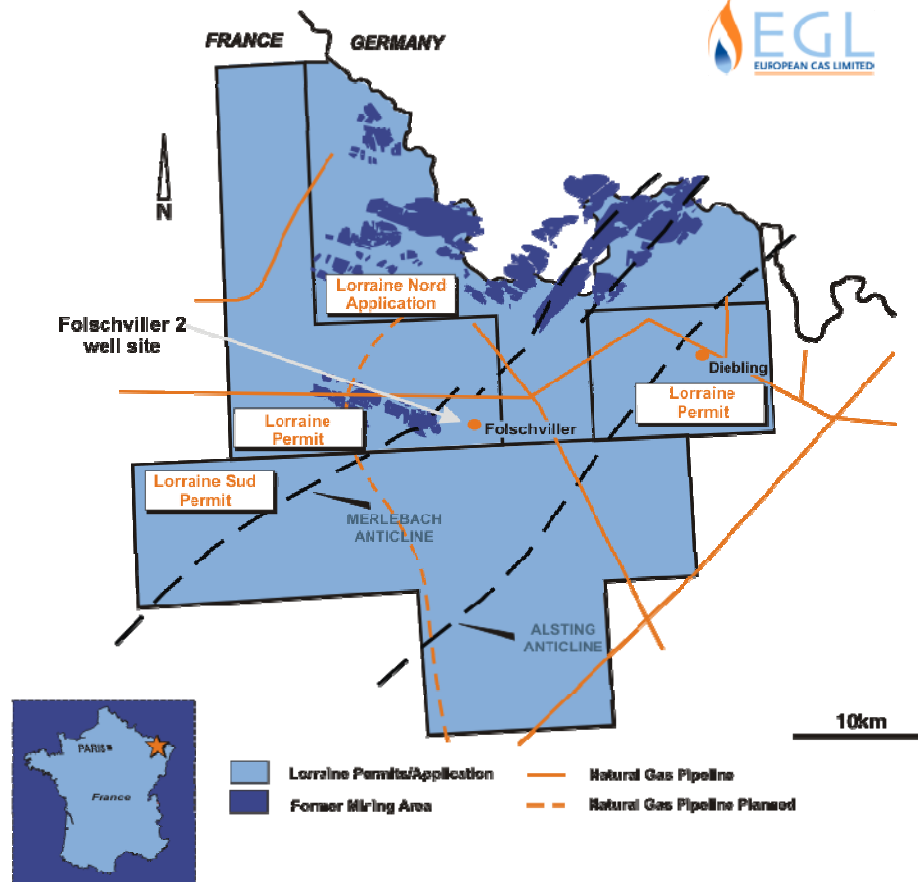


Figure 1. Lorraine Project Areas

## ABOUT EUROPEAN GAS LIMITED

European Gas Limited (EGL) is a hydrocarbon producer/developer/explorer with both production and exploration projects in western Europe. The strategy of the company is to explore and develop Coal Bed Methane and Coal Mine Methane projects, in particular, in France where the company having major holdings under licence holds a significant competitive advantage.

EGL regards the western European natural gas market as substantial and well- priced, with advanced infrastructure and a free and open market.

The company also holds hydrocarbon royalties in the Canning Basin of Western Australia.

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## COMPLIANCE STATEMENT

The technical information quoted in this announcement has been compiled by Mr Rod Bresnehan and geoscientists under his supervision. Mr Bresnehan is a member of the Society of Petroleum Engineers and is Chairman of the Society of Petroleum Engineers (Australia). Mr Bresnehan has consented to the inclusion in this report of the technical matters based on the information in the form and context in which it appears.