



Bimonthly Drilling Report

Sydney, Australia - 4 August, 2009 - Eastern Star Gas Limited (ASX:ESG OTCQX:ESGLY) today announced its bimonthly drilling update on its coal seam gas drilling operations in PEL238, around the township of Narrabri, in Northern New South Wales Australia.

Dewhurst 9 Vertical Appraisal Well

Spud Date: 17/7/2009
Rig Release Date: 24/7/2009
Permit: PEL238 - ESG 65% interest & Santos 35% interest.
Location: Latitude: 30°42' 58.40"S
Longitude: 149° 39' 16.60"E
Rig: Lucas - Mitchell DRS026

Objective:

Dewhurst 9 is the second of three vertical appraisal wells to be drilled in the southern area of the Bibblewindi and Dewhurst fields to continue to appraise the areal extent and quality of this field, and to assist in further reserves certification. The well is designed with a completion that provides sufficient flexibility for it to be utilised in the future as a vertical intersection well for a lateral programme, with casing set above the target Bohena coals and then drilled through the coal.

Well Status/Results:

As at this report date, Dewhurst 9 has reached a total depth of 1082.0 m. Production casing has been set at 895.0 m and the main Bohena coal seam target has been drilled in preparation for lateral intersection. Dewhurst 9 intersected a total of 22.7 m of coal within the Maules Creek Formation, including 12.7 m of coal within the Bohena seam. Encouragingly, the well also intersected 6.9 m of coal in the Namoi seam and 2.4 m of coal in the Parkes seam (located between the Namoi and Bohena seams), both of which are accessible and suitable for lateral drilling. Given these results, planning has commenced to acquire additional seismic data to the south of Dewhurst to assist in locating additional appraisal wells.

Current Operations:

The well is currently suspended pending lateral drilling operations.

Dewhurst 10 Vertical Appraisal Well

Spud Date: 25/7/2009
Rig Release Date: 30/7/2009
Permit: PEL238 - ESG 65% interest & Santos 35% interest.
Location: Latitude: 30° 41' 02.92" S
Longitude: 149° 41' 37.45" E
Rig: Lucas - Mitchell DRS026

Objective:

Dewhurst 10 is the last of the current programme of three vertical appraisal wells to be drilled in the southern area of the Bibblewindi and Dewhurst fields to continue to appraise the areal extent and quality of this field, and to assist in further reserves certification. The well is designed with a completion that provides sufficient flexibility for it to be utilised in the future as a vertical intersection well for a lateral programme, with casing set above the target Bohena coals and then drilled through the coal.

Well Status/Results:

As at this report date, Dewhurst 10 has reached a total depth of 976.0 m. Production casing has been set at 800.0 m and the main Bohena coal seam target has been drilled in preparation for lateral intersection. Dewhurst 10 intersected a total of 14.1 m of coal within the Maules Creek section, including 12.2 m of coal within the Bohena seam.

Current Operations:

The well is currently suspended pending lateral drilling operations.

Biblewindi 27 Vertical Production Well

Spud Date: 1/8/2009

Rig Release Date:

Permit: PEL238 - ESG 65% interest & Santos 35% interest.

Location: Latitude: 30° 39' 47.70" S
Longitude: 149° 39' 58.69" E

Rig: Lucas - Mitchell DRS026

Objective:

Biblewindi 27 is the first vertical production well as part of two lateral "shield" wells to be drilled, one either side of the current Biblewindi Lateral Pilot. The strong performance of this pilot to date has shown that it is drawing from a very large reservoir. To better represent the development performance of this pilot and to reduce the water influx from the larger than anticipated reservoir, the two shield wells will be drilled to allow the existing pilot to more effectively draw down the reservoir pressure within the coals in a timely manner. Each is designed as a single lateral drilled for approximately 1000m of in seam before intersecting a single vertical producer.

Well Status/Results:

As at this report date, Biblewindi 27 surface casing had been set at 282 m.

Current Operations:

The well is currently being prepared for drilling the main hole to just above the Bohena seam target.

Yallambee 1 Corehole

Spud Date: 15/7/2009
Rig Release Date:
Permit: PEL238 - ESG 65% interest & Santos 35% interest.
Location: Latitude: 30°27' 8.03"S
Longitude: 149° 42' 56.82"E
Rig: McDermott Rig #27

Objective:

Yallambee-1 is designed to test both the Hoskissons and Bohena seams at a location approximately 14 kilometres northeast of the Bohena field. The well is located on trend from the Dewhurst area and is anticipated to have similar thick Bohena coal development. Should favourable CSG characteristics be encountered it is expected that this area will be suitable for a lateral pilot for early reserves certification given the similarities to Dewhurst.

Well Status/Results:

As at this report, Yallambee 1 has reached a depth of 464 m.

Current Operations:

Continue to drill ahead to coring point at the top of the Black Jack Formation.

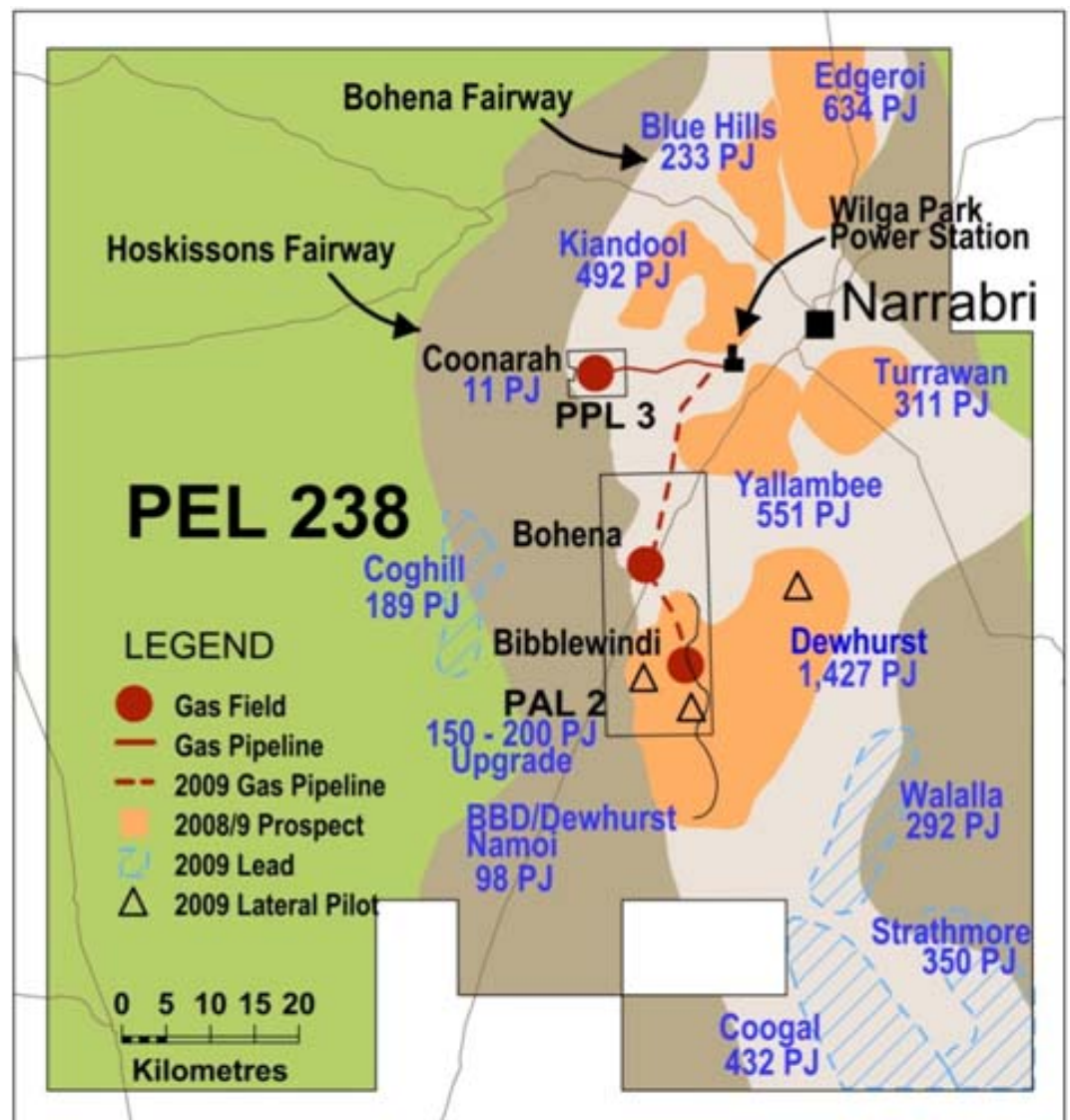
About ESG

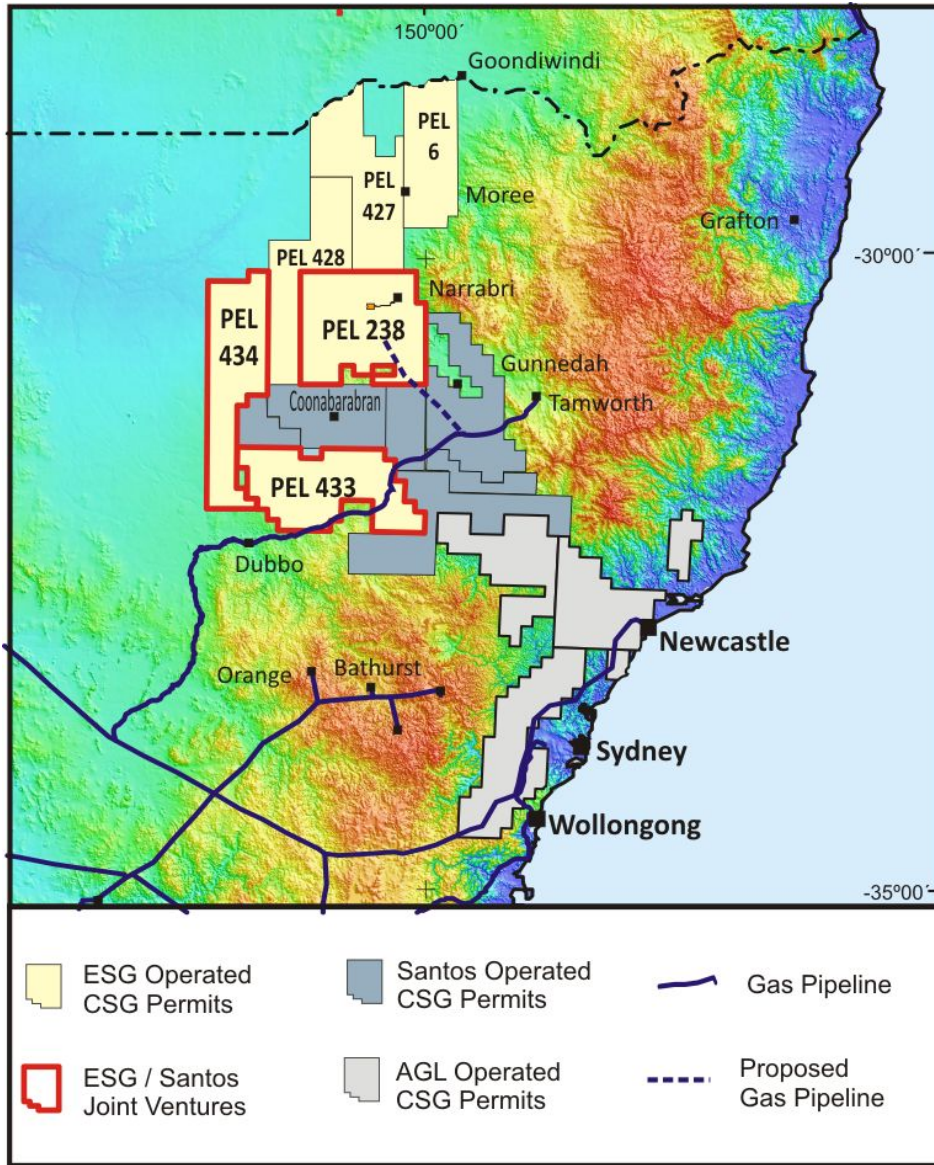
Eastern Star Gas (ASX:ESG OTCQX:ESGLY), is focused on exploration, development and production of coal seam gas in Australia.

The Company's main activity, the Narrabri Coal Seam Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in the PEL 238 and is the operator. The remaining 35% interest was recently acquired by Santos Ltd (ASX: STO). PEL 238 covers 9,100 kms² (2.25 million acres) of the Gunnedah Basin, the most lightly explored portion of the Bowen-Gunnedah-Sydney Basin complex which presently supplies a large proportion of Australia's coal seam gas production. Production testing is underway at two locations (Biblewindi and Bohena) and, on the basis of the production pilots and the first four coreholes drilled in the Dewhurst area, 2P gas reserves of 336 Petajoules and 3P gas reserves of 1,300 Petajoules were independently certified as at on 30 September 2008.

Further reserves will be generated in 2008/09 in PEL238 through the current corehole programme and the completion of 4 multi-lateral production pilot wells at Biblewindi and Dewhurst. The in-seam, or horizontal, section of the multi-lateral wells will have a notional length of around 1 km (3,300 feet), and will be drilled perpendicular to the fracture system within the target coal seams to maximise connectivity resulting in many times greater flow rates than can be achieved from vertical, fracture-stimulated wells.

Test gas from the production pilots will be connected into ESG's Wilga Park Power Station which will, be expanded to take production test gas in addition to gas currently supplied from ESG's Coonarah gas field. MOU's for the supply of gas from PEL 238 have been signed with Macquarie Generation (up to 500 PJ) and Babcock & Brown (up to 40 PJ/a).





This announcement contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. One should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside the Company's control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on the Company's beliefs, assumptions and expectations of our future performance, taking into account information currently available to the Company. These beliefs, assumptions and expectations can change as a result of many possible events or factors, including those events and factors described in "Risk Factors" in the prospectus, not all of which are known to the Company. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of these statements. The Company will update the information in this press release only to the extent required under applicable securities laws. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in the aforementioned forward-looking statements.

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