

# ASX/MEDIA ANNOUNCEMENT

15 November 2010

The Manager  
Companies Announcements Office  
Australian Securities Exchange



## ENCOUNTER-1 DRILLING UPDATE

Adelaide Energy Limited (ASX Code: ADE) provides the following release from the operator of the PEL 218 Permian JV for the information of shareholders. It provides an update on the current drilling operations at Encounter 1, the first of a two well shale gas potential investigation program. It also provides an overview of the encouraging results to date.

ADE has a 10% interest in the JV and is free carried for the first \$25M of gross expenditure (a net \$2.5M to ADE).

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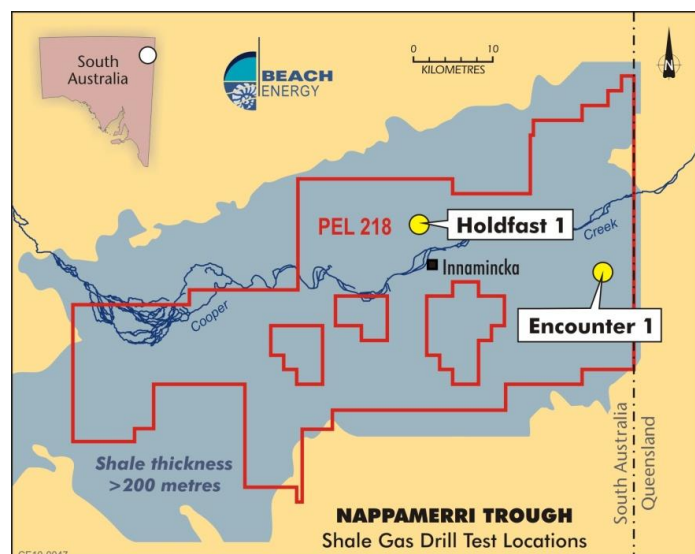
## SHALE GAS EXPLORATION - DRILLING UPDATE

### *Beach Operated Cooper Basin Shale Gas Exploration – PEL 218*

Drilling operations for Encounter-1 (Beach 90%), the first of a two well, back-to-back exploration program targeting shale gas potential in the South Australian portion of the Nappamerri Trough, have continued to progress well with encouraging preliminary results. Across the Nappamerri Trough, the objective Roseneath, Epsilon and Murteree formations have the potential to contain gas in place in excess of 200 TCF. The top of this objective zone was reached in the well on 12 November at a depth of 3078 metres. Gas shows monitored during the drilling of the Roseneath Shale are higher than encountered in nearby wells and high gas shows were also recorded whilst drilling the overlying Toolachee and Daralingie formations. The significance of these encouraging gas shows will be further investigated by the extensive wireline logging program to be carried after total depth for the well has been reached.

A 19.3 metre core has been successfully cut and retrieved from the upper section of the Roseneath Shale. Inspection of the core indicates a hard, dark grey shale section has been encountered. Samples from the core have been taken for extensive laboratory tests to investigate the gas content and rock properties of the shale. The remaining core will be transported back to Adelaide for further intensive sampling and evaluation.

Drilling operations have recommenced in the Roseneath Shale and will continue to the next core point. Two further cores are planned, one in each of the Epsilon Formation and Murteree Shale.



The results thus far are encouraging and consistent with expectations that the shales of the Nappamerri Trough are considered to share many of the attributes of the prolific shale gas producing provinces of the USA.

Operations at Encounter-1 are anticipated to continue for approximately a further 3 weeks. Encounter-1 will then be immediately followed by a second shale gas exploration well, Holdfast-1. Extensive coring and logging programs are planned for both wells with the aim of better defining volumes of gas in place and assessing the physical and mechanical properties of the rock to plan for stimulation in early 2011. Fracture stimulation is one of the keys to unlocking gas from shales. The outcome of these wells will aid the future planning of a pilot production well expected to be drilled in 2011, followed by a pilot production project commencing in 2013.

Yours faithfully,



**Reg Nelson**  
Managing Director, FAusIMM

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