

September 20, 2011

Warro-4 achieves significant initial gas flows through well clean up operations

- ***First material gas flows to surface; Continuous flaring of gas in past week***
- ***Warro-4 well clean-up operations making significant progress***
- ***Testing of individual zones to commence soon to determine commercial potential of Warro field***
- ***Field has estimated resource of 8-10 Tcf of gas in place***

Transerv Energy (ASX: TSV) is pleased to advise that it is significantly advanced in the clean-up operation at the Warro-4 onshore gas well in the Perth Basin.

The aim of the clean-up operation is to flow back the slick water used in the reservoir stimulation process. Once the slick water flow back is complete, the underlying gas flow rate will be established.

The Warro 4 completion program involves the use of a 2 inch inner pipe, which has restricted the water flow back to 1,000- 1,500 barrels of slick water per day. Given that over 50,000 barrels of slick water was injected during the reservoir stimulation process, this clean-up or flow back process takes time.

Along with ongoing recovery of the slick water at 1,000- 1,500 barrels per day, increasing volumes of gas have been flowing to the surface over the past week. The increasing gas flow is an encouraging sign that the well clean-up operations are proceeding successfully.

A sliding sleeve will be used today to close off the upper stimulated zone (zone six of Warro-3) so that an extended well test of the lower stimulated reservoir section (zone four of Warro-3) can commence. The extended well test on the lower zone 4 will be followed by a separate extended flow test on the upper zone 6. These two zones have different reservoir characteristics so separate flow tests will provide valuable information.

Transerv emphasises that a full flow-testing program will need to be completed before it is possible to best understand the likely performance of the Warro field.

Transerv would consider a gas flow rate of one million cubic feet per day (mmcfpd) from each of the stimulated reservoir sections four and six (a cumulative rate of two mmcfpd) to be a successful outcome for Warro-4. This would likely justify further drilling and the eventual development of the Warro field.

Zones four and six account for approximately 30 per cent of the net pay in the Warro reservoir section, based on the results from Warro 3. Zone six is considered broadly representative of the top 4 net pay zones and zone four of the bottom 4 net pay zones of the Warro reservoir section.

Background

The Warro field is an extensive and contiguous tight sand reservoir discovered by WA Petroleum (WAPET) in 1977. Independent industry expert, Gaffney Cline, estimated a P50 recoverable resource of 1.1Tcf (trillion cubic feet) based on a limited area containing estimated gas in place of 2.1 Tcf. Total potential gas in place of the field is estimated by the Company at 8-10 Tcf.

Warro-4 is being funded by Alcoa of Australia, which is earning up to a 65 per cent stake in the Warro field in return for spending up to \$100 million on appraisal and development activities. Transerv will retain a 35 per cent stake and is operator of the project.

Transerv has the right to market separately its 35 per cent share of gas production. The field is only 31 km from both the Dampier-to-Bunbury and Parmelia pipelines, which provide easy access to gas consumers both north and south of the field.

For and on behalf of the Board