



**ICON ENERGY LIMITED**

*energy for the future -  
the future of energy*

ABN 61 058 454 569

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**Registered Office:**  
Level 4, 19 Arbour Court  
ROBINA TOWN CENTRE QLD 4230 AUSTRALIA  
(PO Box 3366)

**Ph:** (07) 5562 0077  
**Fax:** (07) 5562 0011  
**Web:** [www.iconenergy.com](http://www.iconenergy.com)  
**Email:** [icon@iconenergy.com](mailto:icon@iconenergy.com)

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21st November 2008

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

**Icon Energy Limited Announces Signing of Drilling Contract for Coal Seam Gas in the Surat Basin**

Icon Energy Limited has signed a drilling contract with Ancon Drilling Pty Ltd to undertake a 4 well pilot program in ATP 626P for its 2009 Coal Seam Gas pilot program.

Icon Energy Limited has completed a detailed analysis of the potential of its ATP 626P based assets and an expected resource of 5.44 TCF (trillion standard cubic feet) as advised to the ASX on 25 August 2008. It has been decided that on a technical basis, the first pilot programme should be developed around Lydia No 1 which is the most promising area.

Three new wells will form the basis of a Stage 2 pilot program which must then be dewatered. The Lydia Pilot Program well configuration is spaced to enable the maximum information to be gained about the gas content and the permeability of the coal at the depth of 650 metres. Lydia No 1 will be utilised for pressure monitoring due to anomalies with the casing run in this well. This process of dewatering takes time and gas does not necessarily come to the surface for some time. When gas appears, it is usually in small quantities, increasing over time to commercial flow rates.

Scheduled to be commenced in early February 2009, this program requires three pilot-test wells to be drilled around Lydia No 1. There are three new wells proposed with a work over on Lydia No 1 to be converted to an observation well to monitor reservoir data.

The purpose of this pilot program is to prove the commerciality of the reserves to 2P and 3P status. Attached in Appendix A are the proposed locations of the Lydia Pilot Program.

Based on our in-house technical assessments and in accordance with SPE rules, 1 TCF of gas initially in place (GIIP) is evident in the area around Lydia No 1.

These 3 test wells will be drilled, cored or partially cored, completed and put on dewatering in April 2009 followed by production tests. In addition, the evaporation ponds will be constructed over this period.

The Board expects that this configuration may allow Icon Energy Limited to identify reserves at the 2P and 3P levels and will justify the planning for the construction of the pipeline to deliver our gas to market.

Natasha No 1 will not be dewatered any further as the maximum expected gas flow rate will not exceed 400,000 cubic feet gas per day. At present the information gained from Natasha 1 is being analysed by our Chief Geologist so as to prove commerciality of the area.

This will provide the geological information to enable us to lodge an application with detailed information to the Department of Mines & Energy for a "Potential Commercial Area". The application will be over an area of 3 Graticular Blocks.

Future developments are planned to include an additional well program to enable the Company to move the status of its exploration rights to potential commercial areas or production licences, as required by the Queensland Department of Mines and Energy.

Stage 3 involves up to a further 19 well program to enable Icon Energy to move the status of its exploration rights in ATP 626P to potential commercial areas or production licences as required by the Queensland Department of Mines and Energy.

Phase 1 of Stage 3 will be three pilot wells (coring wells) which are strategically placed in the block so as to meet the requirements to apply for "Potential Commercial Area" licences from the Queensland Department of Mines and Energy.

An additional six pilot wells (coring wells) will be located in positions as a result of information obtained from the three pilot test wells in Stage 3 Phase 1. This should assist to meet the requirements to apply for additional "Potential Commercial Area" licences from the Department of Mines and Energy for the balance of the 27 Graticular Blocks in ATP626.

ATP 626 has a total of 30 Graticular Boundary Systems and has the possibility of 10 Potential Commercial Areas or Production Licences.

Stage 3, Phase 2 will consist of 2 Pilot Programs, a Goondiwindi Pilot Program (5 wells and an evaporation pond) and a Stitch Pilot Program (4 wells and an evaporation pond) with Stitch 1 as part of this pilot program.

It must be noted that there are many exogenous variables as to execution of the proposed exploratory drilling program and these include rig availability (as explained in Icon Energy's ASX announcement 31 October 2008), weather conditions, findings from pilot programs and the resultant analysis that needs to take place may result in variations to this proposed program from time to time.

These phases are expected to be commence progressively from May 2009 through to the end of 2010 as funds become available.

Icon Energy Limited holds a working interest in ATP 626P of 100% and a net revenue interest of 90% after deduction of Government royalties of 10%. The calculation of the royalty allows for operating and transportation expenses to be deducted in the calculation.

Your Sincerely



Ray McNamara  
Executive Director/Company Secretary  
Icon Energy Limited



For further information please contact:

Ray McNamara

Telephone: (+617) 5562 0077

Facsimile: (+617) 5562 0011

Email: [info@iconenergy.com](mailto:info@iconenergy.com)

Or visit [www.iconenergy.com](http://www.iconenergy.com)

# Appendix A

