

January 29, 2007



## Magellan Petroleum Announces Production and Exploration Activities for the Quarter Ended December 31, 2006

HARTFORD, Conn., Jan. 29 /PRNewswire-FirstCall/ -- Magellan Petroleum Corporation (NCM: MPET; ASX: MGN) ("Magellan") announced its production and exploration activities for the quarter ended December 31, 2006.

### OIL & GAS SALES

#### Natural Gas

The Company's share of natural gas sales during the quarter ended December 31, 2006 increased by 3.1 percent from the December 2005 quarter, as detailed below:

Field (Magellan Share)	Million Cubic Feet			Variance
	Total	Daily	Terajoules	
Mereenie	1,455.1	15.8	1,698	+9.8 %
Palm Valley	466.2	5.1	531	-13.9 %
Total Gas	1,921.3	20.9	2,229	+3.1 %

#### Crude Oil and Condensate

The Company's share of crude oil and condensate produced for sale during the quarter ended December 31, 2006 increased significantly by 28.9 percent from the December 2005 quarter, as detailed below:

Fields (Magellan Share)	Barrels			Variance
	Total	Daily	Kilolitres	
Mereenie	31,917	347	5,074	- 0.1 %
Nockatunga	20,453	222	3,252	+163.3 %
Kiana	3,818	42	607	+6.9 %
Aldinga	686	7	109	- 18.1 %
Total Crude Oil and Condensate	56,874	618	9,042	+28.9 %

### PRODUCTION AND DEVELOPMENT ACTIVITIES

#### AUSTRALIAN PRODUCTION

Palm Valley Gas Field (PL 3) -- Amadeus Basin NT (52.023% Interest)

The Palm Valley field which is operated by Magellan produced an average of approximately 10 million cubic feet per day (MMcf/D) of natural gas for sale during the December quarter.

The Palm Valley Joint Venture's objective for the field is to maximise gas production from the existing facilities while maintaining a safe and efficient operation, conducted in accordance with good oil field practice.

#### Mereenie Oil and Gas Field (PL 4 & 5) -- Amadeus Basin NT (35% Interest)

The Mereenie oil and gas field which is operated by Santos Ltd produced an average of approximately 45 MMcf/D of natural gas and 1,007 barrels of oil per day (BOPD) for sale during the December quarter. No major projects were undertaken on the Mereenie field during the quarter.

#### Nockatunga Oil Fields (PLs 33, 50 & 51) -- Cooper Basin Qld (40.936% Interest)

An eleven-well exploration, appraisal and development drilling campaign commenced in Petroleum Lease 51 on December 31, 2006. Santos is operator of the Nockatunga oil fields and the drilling campaign, using the PDI 721 rig, is part of its Cooper Oil Project.

The program will appraise the upper Birkhead Formation oil pool discovered by Muthero-3 in December 2005, through the drilling of three appraisal wells on the field. Further, a development well will target the Murta Member and lower Birkhead Formation in the vicinity of Muthero-3. Three appraisal and two development wells are being drilled on the Thungo oil field, targeting oil in the Murta Member. The exploration well, Dilkera North-1, has been drilled on a structural culmination to the north of the Dilkera oil field, and Kamel-1 will be drilled on a structure north of the Thungo oil field, targeting oil in the Murta Member and the Birkhead Formation.

The Dilkera North-1 exploration well spudded on December 31, 2006 and reached a Total Depth of 1438 meters. DST 1 over the interval 1051.8-1060 meters in the Murta Member recovered 31 barrels of 48.2 degrees API oil with 1 barrel of oil cut rat hole mud. The well was cased and suspended as a future oil producer.

Thungo-9, a development well, spudded on January 8, 2007 and was drilled to a Total Depth of 1390 meters. Oil shows were observed in the Coorikiana Sandstone and the Murta Member, the primary target. Wireline logs were run and, following evaluation, a DST was run over the interval 609-630 meters in the Coorikiana Formation which recovered 2 barrels of oil cut rat hole mud-oil emulsion (49 degrees API). Wireline logs indicated approximately 8 meters of net pay in the Murta Member. Production casing was run and the well was suspended as a future Murta oil producer.

The Thungo-10 development well spudded on January 15 and was drilled to a Total Depth of 1135 meters. Oil shows were recorded in the Murta Member and wireline logs indicated 10 meters of net pay. The well was cased and suspended as a future Murta oil producer.

Thungo-13, an appraisal well, spudded on January 21 and was drilled to a depth of 56 meters before drilling operations were suspended because widespread rain in southeast Queensland restricted access to the well site.

The remaining wells in the drilling program are the Thungo-11 and 12 and Muthero-4, 5 and 6 appraisal wells, the Muthero 7 development well and the Kamel 1 exploration well. Drilling is expected to have been completed before the end of the March quarter.

Muthero-3 in Petroleum Lease 51 was placed on continuous artificial lift in November 2006 following a surface facilities upgrade and the commissioning of a jet pump, and is currently producing at around 550 BOPD. The well had commenced production in February 2006, but ceased continuous free-flow in April when the water cut reached 20% of production.

An application has been made for a Petroleum Lease over the Currambar-1 oil discovery, which was drilled in January 2006 in ATP 267P. The well will be tied into nearby surface facilities in Petroleum Lease 51 and placed on production once the new Petroleum Lease has been granted.

Kiana Oil Field (PPL 212) -- Cooper Basin SA (30% Interest)

Production from the Kiana-1 well commenced in December 2005 and free-flowed from co-mingled production from upper and lower Patchawarra Formation sands until early April when water entered the wellbore and caused free-flow production to cease. Artificial lift was installed and the surface facilities expanded in mid-July. Production has subsequently declined from an un-stabilised rate of around 350 BOPD at the end of the September quarter to around 110 BOPD at the end of the December quarter.

Aldinga Oil Field (PPL 210) -- Cooper Basin SA (50% Interest)

Production from the Aldinga-1 well is continuing at around 15-20 BOPD. There are no current plans to develop the field further.

## CANADIAN PRODUCTION

Kotaneelee Gas Field, YT (2.67% interest)

Magellan has a 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. Devon Canada Corporation is operator of this partially developed field which is connected to a major pipeline system. Due to the completion of well L-38 drilled in the field, in which Magellan has a carried interest, Magellan will not receive any revenue until its share of the drilling costs is recovered by the operator of the field, which it is estimated will not occur until the third or fourth calendar quarter of 2007. This estimate could change based upon future production and expenses related to this well.

## EXPLORATION ACTIVITIES

### AUSTRALIAN EXPLORATION

Under the terms of a farmin agreement with Great Artesian Oil and Gas, Magellan participated in a three-well exploration drilling program in PEL 107 in the Cooper Basin of South Australia. Magellan funded 60% of the Keeley-1 and Cabbots-1 drilling costs, which would have earned it a 30% interest in any subsequent production licence had the wells resulted in a commercial discovery. Having participating in these two wells, Magellan earned a 20% interest in the PEL 107 permit and joint venture, and participated in the Talia-1 well at its 20% working interest. Beach Petroleum is operator of the PEL 107 joint venture.

Keeley-1 spudded on October 22 and was drilled to a Total Depth of 3,059 meters. The

primary objective was the Patchawarra Formation reservoirs, similar to those which produce gas at the nearby Raven gas field and the Udacha-1 gas discovery in PEL 91. Elevated gas readings and fluorescence were encountered in a number of sands that were evaluated with wireline logs, a DST and side wall cores. DST 1 was unsuccessful due to mechanical problems. DST 2 was conducted over the interval 2978-2996.5 meters in the lower Patchawarra Formation with no flow and no fluid recovered. The well was plugged and abandoned.

Cabbots-1 spudded on December 5 and was drilled to a Total Depth of 2,421 meters. The well targeted a lower Patchawarra Formation on-lap oil play, with a four way dip closure. No significant oil or gas shows were recorded and no DSTs were run. The well was plugged and abandoned.

Talia-1 spudded on November 20 and reached a Total Depth of 1,854 meters. The well tested the oil potential of the Late Cretaceous and Jurassic interval within a structure on the Lake Hope High along the western flank of the Patchawarra Trough. No significant hydrocarbons shows were encountered in the well which was plugged and abandoned.

The Udacha-1 well in PEL 91, drilled in January 2006 and completed for gas production over two Patchawarra sands in early July 2006, is currently shut-in. The commerciality of the field is being evaluated. Magellan will have a 30% interest in any Petroleum Production Licence over the field under a farmin arrangement with Great Artesian Oil and Gas.

Elsewhere in the Cooper Basin of South Australia, evaluation of PEL 94 (Magellan 35% interest), PEL 95 (Magellan 50% interest) and PEL 110 (37.5% interest) is ongoing. Beach Petroleum is operator of the related joint ventures. The 167 kilometer 2D Scutus seismic survey was conducted in PEL 95 during January 2007 to better define prospects and leads in the northern portion of the permit area. PEL 95 was renewed for a further 5-year term commencing October 2006.

In ATP 613P (Magellan 100% interest) in the Maryborough Basin of Queensland, Eureka Petroleum, a wholly-owned subsidiary of Energy Investments Limited, will fund 100% of the cost of two wells, scheduled to be drilled in February 2007, to test the Coal Seam Gas potential of the Burrum Coal Measures in the Burrum Syncline. Magellan is operator of the joint venture.

#### UNITED KINGDOM EXPLORATION

Magellan (40% interest) plans to participate in the drilling of a well in each of the Weald Basin licences PEDL 099 (which, with Department approval, may be located in the adjacent PEDL 155) and PEDL 126 in 2007. Well sites and planning consents are being sought for the drilling by Northern Petroleum, the operator of these joint ventures. Both wells will target oil in the Great Oolite Formation, and the well in PEDL 126 will address a possible extension of the currently producing Horndean oil field.

Magellan holds interests in ten other exploration licences in the Weald-Wessex Basin (PEDLs 098, 112, 113, 125, 135, 136, 137, 152, 153 and 154). Three of the areas (PEDLs 135, 136 and 137) are held and operated by Magellan with a 100% interest and all other licences are operated by Northern Petroleum, with Magellan's interests ranging from 22.5% to 50%. Magellan is undertaking the reprocessing of around 720 kilometers of existing 2D

seismic data in its 100% held licences to more closely define several oil and gas drilling prospects already identified.

## EXPENDITURES

Expenditures incurred on exploration, appraisal and development activities during the December 2006 quarter, totalled Australian \$4,734,000. All figures are unaudited.

## Forward Looking Statements

Statements in this release which are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. These statements about Magellan and MPAL may relate to their businesses and prospects, revenues, expenses, operating cash flows, and other matters that involve a number of uncertainties that may cause actual results to differ materially from expectations. Among these risks and uncertainties are pricing and production levels from the properties in which Magellan and MPAL have interests, the extent of the recoverable reserves at those properties, the future outcome of the negotiations for gas sales contracts for the remaining uncontracted reserves at both the Mereenie and Palm Valley gas fields in the Amadeus Basin, including the likelihood of success of other potential suppliers of gas to the current customers of Mereenie and Palm Valley production. In addition, MPAL has a large number of exploration permits and faces the risk that any wells drilled may fail to encounter hydrocarbons in commercially recoverable quantities. Any forward-looking information provided in this release should be considered with these factors in mind. Magellan assumes no obligation to update any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise.

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