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Magellan Petroleum Corporation Completes the Rationalization of Its Assets in the Amadeus Basin, Australia

PORTLAND, Maine, Sept. 15, 2011 /PRNewswire/ -- Following the farm out to Vaalco of the deep formations in the Poplar fields in Montana, USA on September 6, 2011, Magellan Petroleum Corporation (the "Company" or "Magellan") (NASDAQ: MPET) (ASX: MGN) has entered into an agreement to complete the rationalization of its asset portfolio in the Amadeus basin, Australia. Subject to customary approvals, the Company will acquire the remaining interest in the Palm Valley and Dingo fields, will sell its interest in the Mereenie field, and the Company has also entered into a long term gas sale agreement for its Palm Valley field.

Magellan Petroleum (N.T.) Pty Ltd ("Magellan NT"), a wholly owned subsidiary of the Company, entered into a Sale Agreement ("Santos SA"), dated September 14, 2011 with Santos QNT Pty Ltd ("Santos QNT") and Santos Limited ("Santos Entities") (such transaction referred to herein as the "Asset Swap").

The Asset Swap provides for the transfer of the Santos Entities' interest in the Palm Valley field and in the Dingo field of 48% and 66%, respectively, to Magellan NT and the transfer of Magellan NT's 35% interest in the Mereenie field to the Santos Entities. The Asset Swap will be effective as of July 1, 2011, subject to customary approvals. Upon completion of the Asset Swap, Magellan NT will receive a cash consideration of A\$25 million. In addition, Magellan NT will be entitled to Bonus amounts with a cumulated possible value of A\$17.5 million, based upon production volume thresholds at the Mereenie field over the next 20 years.

Furthermore, on September 14, 2011, Magellan NT and the Santos Entities entered into a long term Gas Supply and Purchase Agreement (the "GSPA") for the sale by Magellan NT to the Santos Entities of a total contract gas quantity of 25.65 PJ, which represents approximately all the remaining reserves of the Palm Valley field over a 17 year term. The contract is subject to completion of the Asset Swap and shall commence on the later of the first delivery of gas by Mereenie to a new gas customer and January 16, 2012, which is when the existing gas sales agreement for the Palm Valley Gas field expires. The price for gas supplied by Magellan NT shall be the weighted average of the prices obtained for all gas sold by the Santos Entities from the Mereenie field during the relevant contract year.

William Hastings, President and CEO commented, "The Asset Swap and the Vaalco transaction represent a significant milestone for Magellan. With significant cash reserves, minimal debt, and wholly owned and controlled assets both in Montana, USA and Australia, the Company is now well positioned to focus on developing its existing assets. The new gas

contract for Palm Valley will enable the Company to properly value its reserves and with full control over the Dingo field, Magellan intends to renew its exploration program."

About Magellan

Magellan is a US-based energy company principally engaged in the acquisition, exploration, development and production of overlooked crude oil and "stranded" natural gas reserves.

Magellan's strategy involves the exploitation of already discovered oil and natural gas properties worldwide into non-traditional, growing markets. The company's properties and exploration acreage are located primarily in Australia, the United Kingdom, and the United States.

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 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; the ability of Magellan and Santos to complete and implement the terms of the Santos SA and GSPA, including securing the customary approvals necessary to complete the Asset Swap, the production volume at Mereenie and whether it will be sufficient to trigger the bonus amounts provided for in the Santos SA, the ability of the Company to successfully develop its existing assets, the extent of the recoverable reserves at those properties, the pricing and production levels from these, the ability of the Company to secure gas sales contracts for the uncontracted reserves at Dingo and the ability of the Company to implement a successful exploration program. 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.

SOURCE Magellan Petroleum Corporation