

May 16, 2011



Magellan Petroleum Corporation Provides Operations Update

PORTLAND, Maine, May 16, 2011 /PRNewswire/ -- Magellan Petroleum Corporation (the "Company") (NASDAQ: MPET) (ASX: MGN) provided updates to its current operations and commercial transactions.

Amadeus Basin Fields

Production volumes, net of royalties, were 0.172 BCF of gas and 13,084 Bbls of oil for the quarter ended March 31, 2011 in Australia. Following the termination of the Mereenie Gas Sales Agreement last year, and in anticipation of the end of the Palm Valley Gas Sales Agreement, a large component of the Company's natural gas deliverability remains available but unsold. On its own, and in conjunction with the Mereenie Operator, the Company is in the midst of natural gas sales negotiation and project feasibility work being undertaken to sell these available volumes in the short-term.

The Mereenie Owners are in negotiations to secure new gas supply agreements with large mining companies that are actively considering expansions in the Northern Territory. This is a competitive process with other suppliers in the area.

Magellan has begun feasibility work with Mustang Engineering, subsidiary of Wood Group, to determine economic viability of their "small scale" Liquefied Natural Gas (LNG) technology at the port of Darwin, Northern Territory. If Mustang's work is successful, as early screening suggests, we will then evaluate a portfolio of assets with excess deliverability in the area as feed volumes in consultation with respective Operators, including volumes at Mereenie, Palm Valley, Dingo, new shale gas play owners, and offshore Bonaparte producers.

NT Gas, operator of the Amadeus Gas Pipeline, has proposed a new open-access arrangement to the Australian Energy Regulator for natural gas transportation including from the Amadeus Basin to all point on their system, including Darwin, for the five years commencing July 2011. The transportation tariff expected to be approved by the Regulator in July will be substantially lower than the current tariff.

Evans Shoal Transaction

Due to field partner activity, the terms of our entry into the Evans Shoal license remain under discussion as we continue to work in earnest. Meetings over the next two weeks will add clarity toward final solutions. Magellan, YEP, and Santos remain committed to closing the transaction. We intend to provide updates as material milestones have been achieved.

United Kingdom

In the Weald Basin of Southern England, the Company (40% interest) participated in the Markwells Wood-1 exploration well in PEDL 126. The Markwells Wood-1 well targeted a prospect interpreted to be the eastward extension of the Horndean oil field which is currently producing from the Great Oolite Formation. Assessment of the logs confirmed that the entire Great Oolite reservoir sequence in Markwells Wood-1 is oil-bearing above the Horndean field oil-water contact of 1355 m (4446 ft) sub-sea level (TVD SS).

Core analysis has been integrated with the well petrophysical evaluation and image logs to enable the operator, Northern Petroleum, to finalize the design of a production test program. Testing to establish pressures and flow rates in the existing wellbore will take place once the required services and equipment have been contracted. Analysis of the test results will enable the determination of the oil reserve potential and will be the basis for production planning. Production testing is expected to occur between late June and October 2011 on Markwells Wood-1.

The Company also holds a 50% interest in PEDLs 231, 232, 234 and 243, totalling 240,000 gross acres, in the central Weald Basin area which are operated by Celtique Energie. A potential major shale gas and shale oil unconventional resource and several material-size conventional gas prospects have been identified in this acreage in the depocentre of the basin. The joint venture will acquire approximately 180 km of 2D seismic data in the central Weald Basin during the 2nd and 3rd quarters this year to better define drilling prospects

Poplar, Montana

MPC's Poplar Fields oil production was 16,879 bbls net to Magellan at an average price of \$81.24/bbl for the quarter ended March 31, 2011. Winter conditions there were among the worst on record during the period. Our team was able to continue operations but was unable to complete well workovers. Weather conditions have improved.

The Company will, subject to Board review and approval, begin a springtime program to undertake seven recompletions along with the completion of the EPU119 drilled last fall into the Charles formation.

Magellan also plans to drill one shallow natural gas well to evaluate significant reservoir pressure differentials seen in the shallow gas horizon during the drilling of the EPU119 well.

This gas reservoir produced during the early phases of field development in the 1950s but was later shut-in as uneconomic. Today, there is a natural gas pipeline four miles to our north and viable down and upstream markets.

A second drilling program, including up to three new infill wells in the Charles Formation, will be considered in July for late summer drilling and will be based upon the results from the recompletion program with the objective of increased production and better cash generation amid high oil price netbacks.

Given the complexity of the Poplar reservoir, the Company has completed the first steps of a reservoir engineering study for the Charles formation. Further work is being conducted to manage / monitor water influx, determine new high potential drilling sites, and to determine the merit of an infill program. We believe this work is a prudent step to manage reservoir risk and well performance downside.

Additional test on miscibility and fit for tertiary CO2 flooding is also ongoing. Work to-date has allowed modeling of possible water drive sources in relation to historical areas of high initial well production. The Company has applied for \$11.5 million of CO2 sequestration funds available from the US Department of Energy. Results of that application should be received this Summer.

The EPU119 Bakken and Three Forks cores yielded encouraging results. We remain in discussions with third parties, but have not yet achieved what the Company considers acceptable value. Discussions with a number of parties continue and we are receiving new approaches from interested partners.

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 the ability of MPAL, with the assistance of the Company, to successfully and timely close the Evans Shoal acquisition on or before May 31, 2011 or negotiate an additional extension, including the receipt of requisite transaction approvals and the likelihood and timing of the receipt of proceeds from the YEP private placement transaction due to conditions stipulated in the Securities Purchase Agreement, the ability of the Company to successfully develop a strategy for methanol development, pricing and production levels from the properties in which Magellan and MPAL have interests, the extent of the recoverable reserves at those properties, the profitable integration of acquired businesses, including Nautilus Poplar LLC, the outcome of the Montana drilling program, 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 potential customers of Mereenie and Palm Valley production and the results of the U.K. drilling program. 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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