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## **Magellan Petroleum Corporation Begins Bakken and Deeper Formations Development Effort**

PORTLAND, Maine, July 18, 2011 /PRNewswire/ -- Magellan Petroleum Corporation (the "Company" or "Magellan") (NASDAQ: MPET) (ASX: MGN) signed a letter of intent ("LOI") with Vaalco Energy Inc. ("VAALCO") (NYSE: EGY) to begin work on developing the Bakken formation and deeper horizons within the East Poplar Unit and Northwest Poplar Field in Roosevelt County, Montana ("Poplar").

The LOI terms remain subject to closing on a definitive Purchase and Sale Agreement ("PSA"). The LOI contemplates a farm-out to VAALCO of an operating working interest in all of the approximately 23,000 net acres of oil, gas and mineral leases covering the Bakken and deeper formations at Poplar.

VAALCO has agreed to acquire 65% in return for cash consideration and for bearing 100% of the cost to drill three wells by the end of 2012. Parties would then move forward together as 65% / 35% owners respectively to further develop the prospects.

Magellan will retain its current ownership for all formations above the Bakken, including the currently producing Charles and Tyler formations where all Poplar proved and probable reserves are located.

William Hastings, President and CEO commented, "After conducting evaluation drilling, coring, and petrography work, we remain very encouraged about a number of prospective horizons at Poplar. Our new partnership with VAALCO is another step, with a strong and experienced partner, toward monetizing this asset and accelerating near-term development and production, not only from the Bakken but also from the Three Forks, Red River and associated deeper formations there in Montana. Given existing oil and gas infrastructure, our summer recompletion/infill program, our shallow gas plans, and, now, our Bakken partnership, we will continue efforts to add value, and perhaps extend, our position in Montana.

### **About Magellan**

Magellan is a US-based energy company principally engaged in the acquisition, exploration, development and production of crude oil and "stranded" natural gas. 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 extent of the recoverable reserves in the formations and at Poplar in general, the ability to close and implement the PSA to the parties mutual satisfaction and the ability of Magellan and VAALCO to monetize the formations and accelerate near-term development and production. 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