Far East Energy Welcomes China's Gas Pricing Reform

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HOUSTON, July 11, 2013 (GLOBE NEWSWIRE) -- **Far East Energy Corp.** (OTCBB:FEEC), the U.S. listed coalbed methane company operating the Shouyang PSC in Shanxi Province, People's Republic of China, welcomes the long-awaited reforms to China's gas pricing structure.

The National Development and Reform Commission ("NDRC"), China's top policy-making body, has announced that, effective July 10, 2013, city gate gas prices will increase by an average of 15% across the country. These increases will be borne by the industrial and other sectors and will flow to upstream producers such as Far East, with analysts projecting that this will translate into an increase of approximately 25% at the wellhead.

Importantly, the NDRC is introducing a two-tier pricing structure that will base new, incremental, gas supply on the pricing formula that has already been tested in provinces such as Guangdong. The formula links domestic China gas prices to LPG and fuel oil prices, which has resulted in gas prices of approximately $14/Mscf in the provinces where the formula is in operation.

Commenting, CEO Mike McElwrath said, "Far East is currently receiving $6.50/Mscf for gas sales, from our Shouyang Block for the first 10.6 MMscf produced (inclusive of subsidies). We expect volumes going forward to be sold at increasingly higher prices as the new pricing formula takes effect."

These reforms apply to city gate pricing, but analysis in the market indicate that the 15% increase in city gate prices should equate to a near 25% increase in well-head prices. This should provide a clear incentive for increased exploration and production of China's domestic gas resources, as opposed to the more expensive options of importing LNG and/or piping gas into China.

McElwrath continued, "The changes to China's gas price policy underline the determination by the country's leadership that gas play a major role in the country's energy mix moving forward. Higher gas prices are needed to stimulate more domestic production and compensate for high LNG import prices and the move to link gas prices to oil based fuels recognizes that gas is a clean alternative to LPG and fuel oil."

Note that CBM prices are not regulated by the NDRC and are subject to independent negotiation between producers and buyers. However, recent history has shown that CBM price levels reflect national trends and management expects that future gas sales contracts would be made at prices above current realizations.

Far East Energy Corp.

Based in Houston, Texas, with offices in Beijing, and Taiyuan City, China, Far East Energy Corp. is focused on coalbed methane exploration and development in China.

Statements contained in this press release that state the intentions, hopes, estimates, beliefs, anticipations, expectations or predictions of the future of Far East Energy Corp. and its management are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. It is important to note that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those projected in such forward-looking statements. Factors that could cause actual results to differ materially from those projected in such forward-looking statements include: the preliminary nature of well data, including permeability and gas content; there can be no assurance as to the volume of gas that is ultimately produced or sold from our wells; the fracture stimulation and drilling programs *may not be successful in increasing gas volumes; due to limitations under Chinese law, we may have only limited rights to enforce the gas sales agreement between Shanxi Province Guoxin Energy Development Group Limited and China United Coalbed Methane Corporation, to which we are an express beneficiary; additional wells may not be drilled, or if drilled may not be timely; additional pipelines and gathering systems needed to transport our gas may not be constructed, or if constructed may not be timely, or their routes may differ from those anticipated; the pipeline and local distribution/compressed natural gas companies may decline to purchase or take our gas, or we may not be able to enforce our rights under definitive agreements with pipelines; conflicts with coal mining operations or coordination of our exploration and production activities with mining activities could adversely impact or add significant costs to our operations; our lack of operating history; limited and potentially inadequate management of our cash resources; risk and uncertainties associated with exploration, development and production of coalbed methane; our inability to extract or sell all or a substantial portion of our reserves and other resources; we may not satisfy requirements for listing our securities on a securities exchange; expropriation and other risks associated with foreign operations; disruptions in capital markets affecting fundraising; matters affecting the energy industry generally; lack of availability of oil and gas field goods and services; environmental risks; drilling and production risks; changes in laws or regulations affecting our operations, as well as other risks described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and subsequent filings with the Securities and Exchange Commission.*

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