



EMPIRE OIL & GAS NL

ASX RELEASE

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Red Gully North-1 Remediation Update

- Cement bond log analysis confirms successful Upper D sand remedial cement squeeze
- Zonal isolation of the Upper D sand from the C sand has been achieved
- A well suspension work string was run prior to safely securing the rig equipment and de-mobilising the field crew and other ancillary equipment on 13 December
- As previously advised the workover program will be suspended until 28 December to allow the Enerdrill Rig-1 crew time to take field leave due to reaching personnel fatigue safety limits

Empire Chief Executive Officer, Ken Aitken said, *"While there has been a number of technical issues encountered and addressed during the workover to date, which have extended the duration of the project, the key objectives of improving the integrity of the cement over both hydrocarbon zones and specifically isolating the water zone above the C sand have been successfully achieved. I look forward to the resumption of workover operations to install the new completion later this month and starting flow testing operations in early January 2017"*.

Perth Basin domestic gas producer, Empire Oil & Gas NL (Empire, ASX:EGO) provides the following update on the Red Gully North-1 (RGN-1) project.

Progress

A milling tool-string was successfully run to the desired depth in the well. A cement bond log was then run to evaluate the improvement in the cement integrity across the Upper D sand and between the C sand and Upper D sand. This log indicates that there is good cement integrity over the Upper D sand and there is adequate cement to provide zonal isolation between the C and Upper D sand hydrocarbon bearing zones.

A wireline conveyed bridge plug to isolate the lower part of the well from the Upper D sand hung up in the D sand perforations and was retrieved to surface. This bridge plug will be run prior to perforating and completion operations on resumption of workover activities later this month.

The completion packer removal and recent casing restriction issues have extended the planned workover by approximately 17 days, beyond the original plan of 24 days (including rig move/rig up and not including testing time). The incremental time has been caused by additional operations to resolve the downhole casing obstruction as well as the time to implement the regulator approved suspension program. As previously announced it has been decided to temporarily suspend operations until 28 December to allow the crews to take necessary field leave.

The well has been made safe by running a suspension tool string in accordance with industry practise and all personnel and, where necessary, equipment demobilised by 13 December. The operations are planned to resume on 28 December with the remainder of the completion and testing program to be complete around the middle of January 2017.

The next ASX announcement on RGN-1 will be made on the resumption of workover operations later this month.

Participants

Empire Oil and Gas 100%

Plan/Next Steps

The current plan is to suspend workover operations until 28 December, then:

- Run bridge plug, clean-out well, re-perforate and run new two zone isolation completion
- De-mobilise the workover rig and crew
- Mobilise testing equipment and crew and test well.

Location/History

RGN-1 is situated in EP 389 approximately four kilometres to the north of the Company's Red Gully Production Facility. RGN-1 was drilled in November/December 2015 and discovered 53 metres of moveable gas and condensate. In March/April 2016 RGN-1 was successfully completed, however the test results on the Upper D and C sands were compromised by a nearby water production zone due to a shale washout-affected cement bond.

The RGN-1 remedial cementing workover and test is designed to isolate the water zone connecting with the Upper D and C sand hydrocarbon zones. A new well completion is then planned which will be followed by the individual testing of the Upper D and C sands.

– ENDS –

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About Empire Oil & Gas

Empire Oil & Gas NL ('Empire' or the 'Company') is an onshore conventional gas and condensate producer and explorer listed on the Australian Securities Exchange (ASX: EGO) with key assets in the Perth Basin in Western Australia.

The Company's producing assets at Red Gully are less than 150 kms from the city of Perth where there is a strong gas market. Since commencing operations in 2013, the 100% owned Red Gully Processing Facility has produced and delivered over 8,350 Terajoules (TJ) of gas. Gas produced to date has been contracted to Alcoa of Australia (Alcoa) and delivered through the Dampier to Bunbury Natural Gas Pipeline (DBNGP), which runs close to the Red Gully Processing Facility (RGPF). Condensate is transported via road to BP.

Empire is the holder of the largest net onshore acreage in the highly prospective Perth Basin with its production licenses and permits covering more than 8,000 km², representing 46% of the currently granted acreage in the onshore Perth Basin. Close to pipeline infrastructure and with rapid commercialisation opportunities, the Company has significant exploration potential in an underexplored, proven petroleum basin.

Empire's vision is to sustainably grow the business into a mid-tier exploration and production company. Empire's strategy is to be the Perth Basin operator of choice, safely supplying WA domestic gas by growing the Red Gully production hub, delivering reserves and production growth by drilling material quality exploration prospects in the high profit margin onshore Perth Basin and, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.