



# EMPIRE OIL & GAS NL

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## Independent Reserve Audit confirms 2C Contingent Resource of 10.7 PJ at Empire Oil & Gas's 100% owned Red Gully North Field

Empire Oil & Gas NL ("Empire", ASX: EGO) is pleased to announce the completion of an independent assessment of the gas resources encountered by the Red Gully North-1 and Gingin-1 wells located in EP 389 in which Empire has a 100% interest. The independent resource assessment was completed by RISC. The Contingent Resources estimated by RISC are summarised below and are contained within the C and D sands of the Cattamarra Coal Measures within the Red Gully North Gas Field. The estimates are in line with Empire's pre drill expectations:

### Red Gully North Contingent Resources as at 04 February 2016<sup>1,2,3,4,5</sup>

|               | Gas Contingent Resources (PJ) |             |             | Condensate Contingent Resources (Mbbbl) |            |            |
|---------------|-------------------------------|-------------|-------------|---|------------|------------|
|               | 1C                            | 2C          | 3C          | 1C                                      | 2C         | 3C         |
| <b>C sand</b> | 2.4                           | 3.4         | 4.9         | 26                                      | 39         | 65         |
| <b>D sand</b> | 3.8                           | 7.3         | 11.8        | 30                                      | 86         | 144        |
| <b>Total</b>  | <b>6.2</b>                    | <b>10.7</b> | <b>16.7</b> | <b>56</b>                               | <b>125</b> | <b>209</b> |

Notes:

1. Contingent resources are reported as sales quantities stated at Empire's economic interest (no overriding royalties apply) as at 04 February 2016.
2. The reference point is the outlet of the Red Gully plant for sales gas and the stock tank for condensate.
3. Probabilistic evaluation methods have been used.
4. The totals have been summed arithmetically. The total 1C resources may be very conservative and the total 3C resources may be very optimistic due to portfolio effects.
5. The resources have been evaluated in compliance with the Petroleum Resources Management System (PRMS).

As a result of the Red Gully North-1 well, the aggregate 2C gas and condensate contingent resources have been increased by 2.8 PJ and 35 Mstb respectively since last reported on 30 June 2015 (refer to Empire Annual Report 2015).

As announced by Empire on 29 December 2015, the Red Gully North-1 well encountered 53m of net gas bearing pay in sands analogous to those which have produced gas in offset wells. The net gas pay includes C sand units previously classified as prospective resources which have now been re-classified as contingent resources. To estimate the gas initially in-place, RISC used 3D seismic data covering the field and wireline



log data from Red Gully North-1 and the Gingin-1 well which is located 320m to the east. The Gingin-1 well is interpreted to be part of the same accumulation. Gingin-1 underwent extensive testing in the 1970's and produced 1.7 Bcf of gas from the D sand. This production has been accounted for in the resource estimates. The recovery estimates have been evaluated using analytical methods and analogue data from offset wells. Depending on the amount of gas connected to the Red Gully North-1 well, which will be determined in forthcoming production testing, additional drilling may be required to recover the contingent resources.

Subject to undertaking a successful production test to confirm a commercial production rate and connected volume and finalising the development plan to tie the Red Gully North-1 discovery to the Red Gully Production facility approximately 4km south, all or part of the Red Gully North Contingent Resources may subsequently be reclassified as reserves. Empire expects to undertake testing of Red Gully North-1 in Q2, 2016.

Empire CEO Ken Aitken said "The well test rates of the C and D sand and the volume of gas and condensate reserves booked will play an important role in determining whether gas and condensate produced from Red Gully North-1 well should either be utilised to (i) increase the life of the nearby processing facility or, (ii) expand production capability beyond the current design capacity of 10TJ per day. Subject to a successful test and the successful conversion of contingent resources to reserves, Red Gully North-1 will play an important role in strengthening Empire's existing production hub, leveraging the company's 100% owned infrastructure, further providing production margins and significantly increasing cashflow."

"The success at Red Gully North-1 enhances the prospectivity for the northern portion of EP 389 in which Red Gully North-1 is located. A series of structural high trends were identified by the Black Swan Airborne Geophysical Survey to the north of Red Gully North-1 and will be the target of further exploration activities, most likely the acquisition of infill 2D seismic."

Yours sincerely

**For Empire Oil & Gas NL**

A handwritten signature in blue ink, appearing to read "Ken Aitken".

**Ken Aitken**

Chief Executive Officer

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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 150kms 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 5,000 Terajoules (TJ) of gas. Gas produced to date has been contracted to Alcoa and delivered through the Dampier to Bunbury Natural Gas Pipeline (DBNGP), which lies next to the Processing Facility. Condensate produced is transported via road to BP.

EGO is the holder of the largest net acreage in the highly prospective Perth Basin with its production licenses and permits covering more than 10,000km<sup>2</sup>, representing 48% of the currently granted acreage in the Perth Basin. Close to pipeline infrastructure and with rapid commercialisation opportunities, the Company has significant exploration potential in an underexplored, proven petroleum system.

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, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.

**Qualified Petroleum Reserves and Resources Statement**

The estimates of contingent resources contained in this announcement are based on, and fairly represent, information and supporting documentation prepared by or under the supervision of Mr Geoffrey Barker. Mr Barker is a Partner of RISC, an independent oil and gas advisory firm. Mr Barker is a Member of the Society of Petroleum Engineers (SPE) and consents to the form and context in which the estimated contingent resources and the supporting information are presented in this announcement.

RISC is an independent oil and gas advisory firm. The preparation of this report has been supervised by Mr Geoffrey Barker. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr Barker holds a BSc (Chemistry), Melbourne University and a M.Eng.Sc (Pet Eng), Sydney University, and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.