



**EMPIRE OIL & GAS NL**

**ASX RELEASE**

**ABN 55 063 613 730**  
**ASX Code EGO**

Ground Floor  
229 Stirling Highway  
CLAREMONT 6010  
WESTERN AUSTRALIA

**Tel:** + 61 8 9286 4600  
**Fax:** + 61 8 9284 6588  
**Email:**  
admin@empireoil.com.au  
**Web:**  
www.empireoil.com.au

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The Manager  
Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY  
NSW 2000

## **Red Gully North-1 Testing Update**

- **Inability to flow the Lower D sand indicates a very low permeability sandstone.**
- **Testing program completed and all equipment being demobilised.**
- **The water zone which compromised the C and Upper D sand tests has been identified and planning is underway to remediate the well.**
- **Previous test results have significantly improved the chance of commercialising the estimated 7.5PJ of contingent resources, subject to successful remediation work.**

Perth Basin domestic gas producer Empire Oil and Gas NL ("**Empire**", ASX: EGO) provides the following update for the completion and testing programme currently underway at its 100% owned Red Gully North-1 ("**RGN-1**") discovery.

### **Progress**

Since the last report on 19 April 2016, the Upper D sand 48hr pressure build-up was completed and the gauges were recovered from the well for analysis.

Subsequently, nitrogen was used to provide a 4000psi drawdown on the Lower D sand interval in an attempt to induce flow from the reservoir. The Lower D sand did not flow gas or fluid to surface over a 14 hr period. The down-hole pressure gauges were recovered and clearly indicate that a very low permeability (tight) sandstone interval was tested, which is unable to flow sufficient gas and condensate to be commercial.

The testing program was completed and the well is being prepared for temporary suspension. The completion and testing equipment is currently being demobilised.

### **Cattamarra C and Upper D Test Results**

The earlier recovery of gas and condensate from the Cattamarra C and Upper D intervals remains encouraging. The Cattamarra C and Upper D intervals are estimated to contain 7.5PJ of contingent gas resources which could be converted to reserves. This would enable the commercialisation of the well by tie back to the existing Red Gully Production facility. The high condensate gas ratio also provides additional upside in the case that a commercial flow is established.



Work is underway to remedy the source of the formation water which compromised hydrocarbon production during the previous tests. This work has identified a high porosity water bearing sand above the C sand with the potential to flow high rates of water if not effectively isolated, which is interpreted to be the case. The best method to shut-off water flow from this zone is now being planned. A number of options are being evaluated, all of which are standard practice in the industry and are considered to have a good chance of success. A final decision on the best course of action will be taken within the next month, based on equipment availability and the cost required to complete the work.

Empire CEO Ken Aitken said

“The completion and test program over the last month has confirmed moveable hydrocarbons from 2 out of 3 zones in the RGN-1 well. Following the unsuccessful flow test of the Lower D interval, we can now focus our efforts on the best technical and operational means to effectively isolate and re-test the C and Upper D sand intervals.”

### **Background**

Following successful drilling operations, RGN-1 was suspended on 29 December 2015. RGN-1 is located in EP 389, approximately 4km to the north of the Empire’s 100% owned Red Gully Processing Facility.

Yours sincerely

**For Empire Oil & Gas NL**

A handwritten signature in black ink that reads "Ken Aitken".

**Ken Aitken**

Chief Executive Officer

### **For further information, please contact:**

Ken Aitken  
Chief Executive Officer  
Empire Oil & Gas NL  
Telephone: +61 8 9286 4600  
[www.empireoil.com.au](http://www.empireoil.com.au)

Cameron Morse  
FTI Consulting

Telephone: +61 8 9485 8888

**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 6,000 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 gross 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 Mr Ian Paton who has consented to the inclusion of this information in the form and context in which it appears in this report. Mr Paton holds degrees in Geophysics Bsc (Hons) and Petroleum Engineering (MPet Eng) and has over 35 years of experience as a specialist geophysicist with extensive experience in petroleum field exploration and development and he is also a qualified reserves and resources evaluator and a Member of the Society of Petroleum Engineers (SPE)