



EMPIRE OIL & GAS NL

19 April 2016

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

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

Red Gully North-1 test confirms moveable Gas & Condensate

- Gas and condensate recovered to surface from C and Upper D sands;
- High water production attributed to poor cement integrity due to shale wash-outs during drilling;
- C and Upper D sands require further well activity to convert contingent resource to reserves;
- Test results on Lower D zone imminent.

Perth Basin domestic gas producer Empire Oil and Gas NL ("**Empire**", ASX: EGO) provides the following update on the testing operations currently underway at its 100% owned Red Gully North-1 ("**RGN-1**") discovery. As announced to the ASX on 13 April 2016, the testing operations at RGN-1 have taken longer than expected due to fluid losses during the completion programme.

Progress

RGN-1 was perforated over 3 test intervals within the Cattamarra C and D sands which were interpreted to be gas bearing:-

Cattamarra C	-	3,765-3,781, 3,790-3,810 and 3,815-3,836mMD
Cattamarra Upper D	-	3,877-3,891, 3,895-3,905 and 3,912-3,934mMD
Cattamarra Lower D	-	4,065-4,078mMD

Testing operations commenced over the Cattamarra C interval. Some 490 barrels of fluid were recovered before the well began to flow naturally. The well then flowed 0.067 mmcf of gas and 15 barrels of condensate and 895 bbls of water were recovered during a flow period of 19½ hours. The gas and condensate flow rates prior to shut-in were 0.13 mmcf/d and 18 bbls/day respectively. The final water rate was 1,090 bw/d.

Following the completion of the C sand test, a separate test of the upper zone of the Cattamarra D sand was conducted. A flow period of 26½ hours was undertaken prior to shutting-in the well for a 48 hour build up to obtain down hole pressure data. During the flow period the well was nitrogen lifted and flowed gas at an increasing rate. The rate prior to shut-in was 0.392 mmcf/d with an approximate condensate rate of 121 bbls/day. The gas flow was accompanied by significant water production which reached a maximum of 2,300 bbls/day prior to shutting in the well.



Water production is interpreted to be due to a poor cement bond over the Cattamarra C & Upper D intervals as evidenced by the cement bond log. During the drilling of the Cattamarra sands, shale was produced to surface resulting in large washed out hole sections which has compromised the cement integrity. It is possible that the tests of the upper two zones are invalid, given potential communication with water bearing reservoirs just above the Cattamarra Upper C interval. The high water flows from the upper two test zones are unusual given the interpreted low permeability of the sandstone intervals which were tested. Further analysis will be required to understand the validity of these tests once all water, gas and condensate samples have been analysed and pressure gauge data has been collected.

The well is currently shut-in to obtain downhole pressure from the Upper D sand interval prior to undertaking the test of the Lower D sand later this week. The cement bond log indicates that the cement bond over the Lower D zone is good and zonal isolation is more likely to be achieved.

Empire CEO Ken Aitken said "While the initial results of the tests on the Cattamarra C and Upper D intervals may be invalid, and therefore disappointing, the fact that hydrocarbons have been recovered confirms the original petrophysical assessment of a gas/condensate discovery. The recovered hydrocarbons also suggest a condensate rich discovery with recovered gas yielding approximately 160 barrels/mmscf as measured at surface. Further work will be required to determine the most appropriate means to conclusively test the flow potential and therefore the commerciality of these 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. RGN-1's proximity to the Red Gully Processing facility will allow for a fast tie-back and commercialisation of the well after a successful completion and test programme.

Yours sincerely

For Empire Oil & Gas NL

A handwritten signature in black ink, appearing to read '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

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 10,000km², 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.