

Grieve Field, Wyoming Chemical Flood; Surtek studies update

HIGHLIGHTS

- The linear core-floods have been completed on schedule.
- Surtek have confirmed that the Grieve Field is a good chemical flood EOR candidate.
- Surtek have supported proceeding to the next stage of radial core-floods using various optimised chemical combinations resulting from the linear core-floods.
- The first 6 radial core-floods are expected to be completed by mid-September on track for Final Investment Decision (FID) on a chemical flood EOR development in October 2009.

BACKGROUND

The primary objective for the Grieve #39A well drilled in July 2009 was to obtain fresh core material from the Muddy Sandstone reservoir to allow finalisation of laboratory studies, as well as allow independent reserves verification, final facilities design and updated economics leading to a Final Investment Decision (FID) for a Phase 1 chemical flood Enhanced Oil Recovery (EOR) project in the Grieve Field.

LABORATORY STUDIES

Immediately after the core was recovered from the Grieve #39A well it was logged, and samples of the core moved to the laboratories of Surtek Inc ("Surtek") in Denver, Colorado; at the time Surtek confirmed the core material was of high quality and thus expected to be particularly suitable for the next phase of their laboratory work. The first laboratory work was the undertaking of linear core-floods based on 2 of the core samples to establish and confirm the fluid-rock compatibility by initially injecting water and then optimising the proportions of different alkalis, surfactants and polymers, the chemical components of a chemical flood EOR project. This work was expected to take 4-5 weeks and has just been completed on schedule and a report provided.

In this report Surtek confirms that the Grieve Field is a good candidate for alkaline-surfactant-polymer (ASP) flood EOR project and that the laboratory tests should progress to the next stage of radial core-floods using these optimised chemical combinations.

This work will consist of up to 16 radial corefloods using the full diameter core material and will inject optimised chemical solutions selected from the previously completed laboratory studies. Radial corefloods are designed to give an indication of the amount of additional crude oil which can be recovered from chemical injection. The advantage of radial corefloods using full diameter core is that the pore volume is up to a factor of 10 times larger than the pore volume of 1" diameter core plugs which have been previously used; this increases the accuracy of monitoring both the volume of injected fluids and also the volume of crude oil produced. It is currently expected that sufficient corefloods will have been completed by the mid-September 2009 for Elk to arrive at a Final Investment Decision in October 2009. The remaining corefloods will then be used for fine-tuning the design of the facilities.

On behalf of the Board.



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