



EMPIRE ENERGY GROUP LIMITED
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ASX Announcement – Drilling Update

26 May 2011

DEVELOPMENT WELL DRILLING PROGRAM SPUDDING OF INITIAL WELL

Commencement of Drilling - Kansas

The Directors are pleased to announce that Empire Energy has been able to secure a drilling rig and will now commence its initial oil drilling program in the Central Kansas Uplift. The first stage of the drilling program will consist of 3 wells. A further 7 wells are in the planning stage. Two geophysical (3-D Seismic) programs are currently underway to ensure additional drill locations are ready for drilling following completion of the first 10 wells. Empire Energy has in excess of 80 potential drilling locations.

Wells being drilled in the current program are development wells, each new well adjacent to existing producing wells. Locations and approvals for the first 3 wells have been completed. As long as weather conditions allow, it is expected the first well will be spudded within the next few days. The first three wells to be drilled are the Boxberger #14, the Newcomer #9 and the Driscoll #31-8. All are in Russell County, Kansas.

Well depths will range up to 3,750 feet, which allows drilling costs to be kept relatively low. Completion Costs for each well are expected to be around \$410,000 with Empire Energy holding Working Interests (WI) of up to 70% in the wells. Some WI Owners may not wish to participate on which basis Empire Energy's WI would increase.

Potential Reservoirs being targeted are the Lansing, Gorham Sands, Arbuckle and Reagan Sands.

The Central Kansas Uplift

Historically, Kansas has been a very prolific oil and gas producing state with cumulative production exceeding 6.1 billion barrels of oil (BBO) and 37.5 trillion cubic feet of gas. Current yearly production is approximately 33 million barrels of oil and 342 billion cubic feet of gas from over 60,000 wells. The most prolific oil reservoirs are the Arbuckle (Ordovician) and Lansing-Kansas City (Pennsylvanian) formations particularly from fields located on the Central Kansas Uplift (CKU). Arbuckle reservoirs have produced over 2 BBO statewide. Of the 31 counties in which the Arbuckle has been productive, over 70% of the production has come from 10 counties situated on the Central Kansas Uplift in which Empire Energy operates.

Empire Energy's initial focus in the Central Kansas Uplift will be to drill low risk development wells. At the same time the objective is to delineate additional prospects and to convert probable reserves to reserve 1P category.

Share Purchase Plan

On the 15 April 2011 Empire Energy Group Limited announced eligible shareholders in the Company would be given the opportunity to participate in a Share Purchase Plan. Documents relating to the Share Purchase Plan were dispatched to shareholders on 4 May 2011. The Company confirms that the closing date for acceptances under the Share Purchase Plan is 5pm (Sydney time) 27 May 2011.

About Empire Energy Group Limited

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 92% of its issued capital. Empire Energy USA is an oil and natural gas producer and also operates a small oil and gas field service operation.

Empire Energy implemented a US\$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US\$150 million.

For more information:

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