

21 August 2012

## ELK PROJECTS UPDATE

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### HIGHLIGHTS

- Grieve CO<sub>2</sub> EOR Project gets off to a quick start:
    - Denbury is in final stages of removing the old Grieve facilities
    - Denbury has commenced earth works and field pipe work at Grieve EOR
  - Elk has acquired 2D seismic at Ash Creek oil field
  - Discussions for the sale of the Grieve oil export pipeline continue
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**Elk Petroleum Limited (ASX Code: ELK)** is pleased to announce that the development of the carbon dioxide (CO<sub>2</sub>) enhanced oil recovery (EOR) project at the Grieve oil field is progressing well and discussions continue for the sale of the Grieve oil export pipeline. Elk is also pleased to announce the acquisition of two 2D seismic lines at Ash Creek oil field.

Elk's Managing Director, Bob Cook said, "We are pleased to see work commence at Grieve, immediately following regulatory approval of the project. The schedule remains on track for CO<sub>2</sub> injection in November.

"At Ash Creek, the re-development of the field continues with acquisition of two new 2D seismic lines. This new seismic data has the potential to provide a greater understanding of the geological structure of all the formations at Ash Creek including the Niobrara shale formation underlying the oil productive Shannon formation."

### THE GRIEVE ENHANCED OIL RECOVERY (EOR) PROJECT

Denbury has mobilized crews and a significant amount of equipment to the Grieve oil field. Following recently received regulatory approval to allow the project to proceed, all the original processing equipment has been removed leaving only the old storage tanks to be dismantled in the coming weeks.

Earth moving equipment is transforming the site into one capable of accommodating the specialized processing equipment associated with the carbon dioxide (CO<sub>2</sub>) flooding of the Grieve Muddy formation. Ground work is preparing the site for the field inlet and distribution point of the CO<sub>2</sub> to the already completed CO<sub>2</sub> injection wells (see following photograph).



*Earth works at the Grieve facility site after removal of original processing facilities*

Denbury has also commenced preparations for the laying of the in-field crude oil production gathering and CO<sub>2</sub> distribution headers as well as the associated flow lines to and from injection and production wells. The following photograph shows the right of ways graded for the installation of the buried field piping.

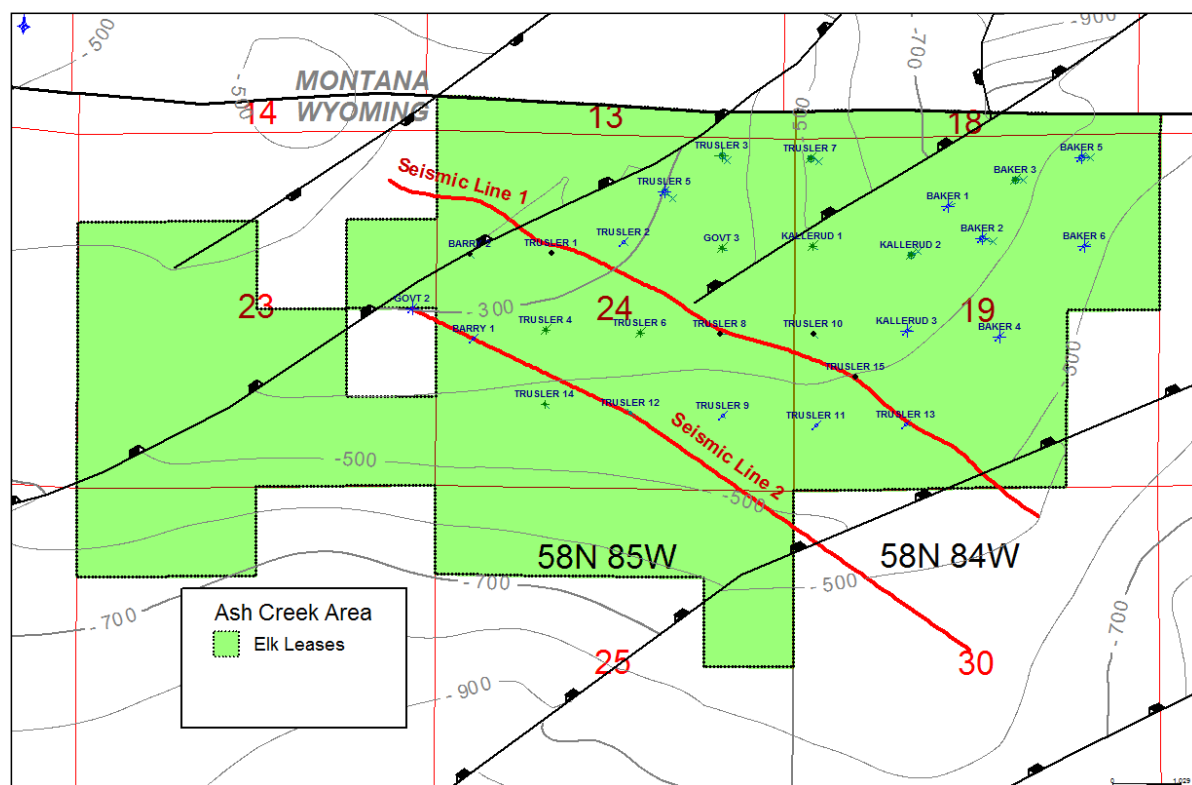


*Preparation of the right of way for the laying of Grieve in-field piping*

The work progress at Grieve is very encouraging and is on schedule to facilitate the start of injection of CO<sub>2</sub> in November 2012 as previously advised (Elk ASX announcement 31 July 2012)

## ASH CREEK EOR PROJECT

To assist in planning the next stages in the re-development of the Ash Creek field, approximately four miles of 2D seismic lines were “shot” over the last week.



After processing, the two 2 mile lines are expected to generate a better understanding of the structure of the Shannon formation at Ash Creek (current production horizon) and also provide an insight into the underlying Niobrara formation. There is a possibility that the Niobrara formation was the “source kitchen” for generating the crude oil being recovered from the Shannon formation. If the Niobrara formation is in fact hydrocarbon rich at this location, it opens up the possibility that “unconventional” crude oil could be also recovered from any fractured regions in the Niobrara formation at Ash Creek. Encouragingly, Ash Creek is in the Powder River Basin which has a history of production from the Niobrara.

The quality of the results from the 2D seismic lines may also justify a commitment to acquire a more detailed 3D seismic survey over the whole field. The 3D seismic would help Elk identify locations for new wells to access by-passed Shannon oil and may provide justification for considering Niobrara shale test locations.

## THE GRIEVE CRUDE EXPORT PIPELINE

Elk is conducting discussions with a number of parties for the sale of some or all of its 100% working interest in the 32 mile crude oil export pipeline from the Grieve field into storage and distribution operations in Casper. Casper is the hub for several oil pipeline and storage facilities feeding crude oil to refineries or other markets.

The recently released Bureau of Land Management (BLM) environmental assessment of the Grieve EOR project approved the use of the pipeline for the transportation of the crude oil production from Grieve to one or more of the crude oil storage and distribution sites in Casper. Elk is seeking to monetize the pipeline as a high priority objective.

Elk is currently proceeding with the re-commissioning of the pipeline and has pressure tested it with air to 60 psig in preparation to running an intelligent “pig” survey in September. The survey will provide a record of the current condition of the pipe and identify any areas requiring remediation.

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## ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas producer and developer with assets located in one of the richest onshore oil regions of the USA: the Rocky Mountains. Listed on the ASX in 2005, Elk's strategy is focused on applying established enhanced oil recovery (EOR) technologies to mature oil fields. This strategy significantly de-risks the process of finding and exploiting oil field reserves.

Leveraging proven EOR technology and experience, Elk is currently developing two mature oil fields in Wyoming and is pursuing other opportunities that will benefit from the application of EOR technologies.

For more information on Elk, see Elk's Investor Presentation which was released to the ASX on 7 August 2012 and is also available on Elk's website [www.elkpet.com](http://www.elkpet.com).

## ABOUT DENBURY RESOURCES INC.

Denbury Resources Inc. (NYSE: DNR) is a growing independent oil and gas company. The Company is the largest oil and natural gas producer in both Mississippi and Montana. It owns the largest reserves of carbon dioxide (CO<sub>2</sub>) used for tertiary oil recovery east of the Mississippi River, and holds significant operating acreage in the Rocky Mountain and Gulf Coast regions. It currently produces in excess of 35,000 BOEPD of oil from CO<sub>2</sub> EOR projects.

For more information on Denbury, see Elk's Investor Presentation released to the ASX on 7 August 2012 and is also available on Elk's website [www.elkpet.com](http://www.elkpet.com) or also refer to Denbury's website [www.denbury.com](http://www.denbury.com).