



19 November 2012

## DESIREE DRILLING UPDATE 4 OIL SHOWS

- Desiree Prospect, Hensarling #1 well, is drilling ahead at 11,933ft.
- The first objective, Cris R II sand, was intersected overnight and the mud logs indicate oil shows over 60-70ft of gross interval.
- The second objective, Cris R III sand, is expected to be reached within a day, following which electric logs will be run.
- Should the electric logs indicate "pay" casing will be set over the Cris R II & III prior to drilling ahead to the secondary objectives, the Cris R IV & V.
- Desiree prospect is targeting up to 1 million bbls oil and 30 BCF gas.
- The Company has a 35.6% WI.
- Well is targeting two updip productive intervals (Cris R II and III).
- Additional 2 exploration sands (Cris R IV and V).
- Well is updip from initial well which produced 2.3 million bbls oil and ceased production doing 100 bbls oil per day.
- Normal pressured well (GGE share \$1.1m).

### DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Desiree	Drilling	280-360 MBO	5-11
S Welsh	Drilling	50 MBO	-
W. Klondike	Nov/Dec 12	210-500 MBO	0.6-1.7 BCF
Port Hudson	Dec 12	40-75 MBO	-
Louise	Dec 12	130 MBO	-
Total		709-1,109 MMBO	6-12.5 BCF

### PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	130 MBO	.4 BCF
Abita	Prod.	60-120 MBO	1.0 BCF
Total		190-250 MBO	1.4 BCF

#### Board & Management

**Mr Mark Freeman**

Managing Director

**Mr Charles Morgan**

Executive Chairman

**Mr Allan Boss**

Executive Director

**Mr Stephen Keenihan**

Non-Executive Director

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#### ASX Codes

GGE (3,739m)

GGEO (1,469m)



# Desiree Prospect

## Desiree, Assumption Parish, LA, 35.6% WI

The Company advises that the Desiree Prospect, Hensarling #1 well, is drilling ahead at 11,933ft. The first objective, Cris R II sand, was intersected overnight and the mud logs indicate oil shows over 60-70ft of gross interval. The second objective, Cris R III sand, is expected to be reached within a day, following which electric logs will be run. Should the electric logs indicate "pay" then casing will be set over the Cris R II & III prior to drilling ahead to the secondary objectives, the Cris R IV & V.

The Desiree Prospect covers an area of 140 acres in Assumption Parish, Louisiana and is being operated by a private US oil and gas company. The operator is the same partner that is managing the Napoleonville Salt Dome project.

This well will be drilled to a total depth of 12,550ft. The Company's net share of dry hole costs is estimated at ~US\$1.1m (total drilling costs are US\$3.6m). The Primary objectives are the Cris R II and III which have the potential for 600,000 - 800,000 bbls of oil and secondary objectives in the Cris R IV and V (200,000 bbls oil and 15-30 BCF gas).

The well is updip and 270ft from the largest producer in the Napoleonville Field (2.3 MMBO – Cris R II & III) which was abandoned at low oil prices with split casing while still producing 100 bbls per day (collectively from Cris R II and III). If successful, the project offers long life reserves, with IP's of 400-800 bbls per day and will have a substantial positive cash flow and reserve impact on the Company.

This is a proven productive fault block with a strong water drive in the primary objectives. The prospect has a significant oil column and long life production potential and was generated from 3D seismic and subsurface support for updip attic structure.

Partners in the Hensarling #1 well:

Grand Gulf Energy Ltd (ASX: GGE)	35.6% WI
Golden Gate Petroleum Ltd (ASX: GGP)	3.9% WI
Other Partners et al	60.5% WI

**About Grand Gulf Energy:** Grand Gulf is an ASX listed US based oil and gas exploration and production company with management in Houston and assets in Louisiana.

**COMPETENT PERSONS STATEMENT:** The information in this report has been reviewed and signed off by Mr KC Whittemore (Registered Geologist, Texas USA), and Kevin Kenning (Registered Reservoir Engineer) with over 36 and 30 years relevant experience respectively within oil and gas sector.

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.