



18 December 2012

DESIREE DRILLING UPDATE 9

- The Hensarling #1 well, reached a TVD of 12,455ft and ran electric logs over the Cris R IV & V, but was unable to locate commercial hydrocarbons. The operator will now plug off the bottom of the well and move to testing in the Cris R III and II (in that order).
- Recently completed electric logging operations have confirmed net pay of 31ft of pay in the Cris R II and 49ft in the Cris R III sands.
- The Company has a 35.6% WI in the Desiree prospect which is targeting up to 1 million bbls oil and 30 BCF gas.
- Well is 270ft updip from initial well which produced 2.3 million bbls oil and ceased production doing 100 bbls oil per day.

Managing Director, Mark Freeman, commented, "The logging results are exceptional. The Company is excited about the upcoming testing program".

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Desiree	Testing	280-360 MBO	5-11
S Welsh	Suspended ops	50 MBO	-
W. Klondike	Testing	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	Under completion	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

Corporate Office

1292 Hay Street,
West Perth WA 6005
T +61 (0) 8 9389 2000
F +61 (0) 8 9389 2099
E info@grandgulf.net
www.grandgulfenergy.com

Houston Office

Suite 142, 9525 Katy Freeway
Houston Texas 77024

ASX Codes

GGE (3,739m)
GGEO (1,469m)



Desiree Prospect

Desiree, Hensarling #1 well, Assumption Parish, LA, 35.6% WI

The Company advises that the Hensarling #1 well reached a TVD of 12,455ft and ran electric logs over the Cris R IV & V, but was unable to locate commercial hydrocarbons. The operator will now plug off the bottom of the well and move to testing in the Cris R III and II (in that order).

Recently completed electric logging operations have confirmed net pay of 31ft of pay in the Cris R II and 49ft in the Cris R III sands.

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.

The Company's net share of dry hole costs is estimated at ~US\$1.35m (total drilling costs are US\$4.5m). The pre-drill reserve estimates in the Cris R II and III were 600,000 - 800,000 bbls of oil. The net pay in the Cris R II & III were slightly higher than pre-drill expectations and net pay in the downdip producer well.

The well is 270ft updip 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.