



## ASX Announcement September 18, 2013

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### Directors

Michael Fry (Chairman)  
David Prentice (Managing Director)  
Bruce Miller (Director Resources)  
Bill Warnock (Non Exec. Director)  
Larry Edwards (Non Exec. Director)

### Executive Management

Chris Girouard (President & COO)  
Kevin Humphrey (Chief Financial Officer)  
Lee Francis (Exec. VP Operations)  
Bud McAdams (Snr. VP Engineering)  
Suzie Foreman (Company Secretary)

### Listings

RFE.AX (Fully Paid Ordinary Shares)  
RDFEY.OTCQX (1 ADR = 10 FPO's)

### About Red Fork Energy

Red Fork Energy is an Australian domiciled publicly traded oil and gas producer and explorer, with assets and operations in Oklahoma.

The Company has positioned itself in one of the premier on-shore United States horizontal oil resource plays, with a large and prospective acreage position in the heart of the Mississippi Lime oil and liquids rich gas play.

## Reserve Upgrade as at 30 June 2013

Red Fork Energy Limited (ASX: RFE, OTCQX: RDFEY, Red Fork or the Company) is pleased to announce a significant increase across all Reserve categories in the six months to 30 June 2013.

### Highlights:

- ✓ Red Fork's Mississippi Lime development focus has increased Group net Proved (1P) reserves to 14.0 mmboe (previously 8.1 mmboe) and Group net 3P reserves to 28.3 mmboe (previously 18.0 mmboe).
- ✓ Group 1P net present value has increased to US\$196.3 million (previously US\$89.2 million), which is expected to underpin a significant increase in the Company's borrowing base and provide funding flexibility.
- ✓ Group 3P net present value has increased to US\$379.7 million (from US\$217.9 million).
- ✓ Group net 3P plus 1CR now totals 66.4 mmboe with a net present value of ~US\$750 million.
- ✓ Improved operational performance at Big River has resulted in an average EUR<sup>1</sup> of 260 mboe and an average net present value of US\$4.4 million for wells drilled since January 1, 2013.
- ✓ Big River development spread across the Company's plus 75,000 acres (HBP program<sup>2</sup>) has delivered net 1P reserves of 9.9 mmboe (281% increase); net 2P reserves of 13.8 mmboe (294% increase); and net 3P reserves of 23.2 mmboe (142% increase).
- ✓ Potential for considerable additional upside from increased well density in full field development, ongoing operational improvements, and in recognition of the Woodford Shale formation.

### All Group Reserve Categories Upgraded

Group net reserve estimates are summarized in table 1 below (gross estimates are included in Appendix A). Estimates for all reserve categories dramatically increased in the six months to 30 June 2013, with the majority of the increase in the proved category.

Group net 1P reserves increased by 73% to 14 mmboe, driving a 60% increase in Group 2P reserves to 18.6 mmboe and a 57% increase in Group 3P reserves to 28.3 mmboe. This represented an additional 10.3 mmboe in Group 3P reserves in 6 months.

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The net present value of Group 1P reserves more than doubled to US\$196.3 million (up 120%) in the six months to June 30, 2013. This increase is expected to underpin a significant increase in the Company's borrowing base available under the reserve based lending facility improving balance sheet flexibility. The net present value of Group 3P reserves increased by US\$161.8 million to US\$379.7 million in the same period.

**Table 1.**

Group Net (post royalties) Reserves As at June 30, 2013	mmboe	Increase on Dec 31, 2012	NPV10 (US\$)	Increase on Dec 31, 2012
Proved (1P)	14.0	73%	196.3	120%
Proved plus Probable (2P)	18.6	60%	233.0	101%
Proved plus Probable plus Possible (3P)	28.3	57%	379.7	74%

### Mississippi Lime: Big River Project

Big River net reserve estimates are summarized in table 2 below. Big River was the focus of the Company's activities with drilling and development activity adding significant reserves across all categories. The largest increase in net present value was in the proved category with Big River 1P net present value up 192% on the previous period to US\$160.8 million. In terms of volumes Big River net 1P reserves increased by 281% to 9.9 mmboe, with Big River net 2P reserves up 294% to 13.8 mmboe and Big River net 3P reserves up 142% to 23.2 mmboe.

Operational improvements and initiatives introduced across the Big River Project at the beginning of calendar 2013 have delivered value both in terms of productivity and higher EUR's. These improvements and initiatives included:

- routine acquisition and interpretation of 3D seismic to assist with well bore planning,
- utilization of jet pumps to more effectively cleanup wells prior to the installation of electric submersible pumps resulting in cost savings and more consistent production,
- improved spud to first sales cycle times as a result of being able to deploy diesel driven jet pumps, when grid power was not yet available,
- improved selection of lithological targets in the lateral that result in better penetration rates, and
- implementation of real-time modeling of fracture stimulation operations to improve stimulation design and placement, resulting in the ability to increase overall volumes of fluid and proppant, which in turn is expected to deliver higher EUR's.

These operational improvements and initiatives combined with the strengthening of our operations teams have already delivered value both in terms of dramatically shorter spud-to-spud and spud-to-sales days and in higher EUR's. EUR's for wells drilled since the beginning of calendar 2013 averaged ~260 mboe with net present values averaging US\$4.4 million. Spud-to-spud days are now consistently below 25 days and we are achieving our target of 45 days spud-to-sales.

**Table 2.**

Big River Net (post royalties) Reserves As at June 30, 2013	Oil (mmbbl)	Gas (bcf)	mmboe	NPV10	% oil
Proved (1P)	6.8	18.5	9.9	160.8	69%
Proved plus Probable (2P)	9.7	24.9	13.8	186.4	70%
Proved plus Probable plus Possible (3P)	16.8	38.5	23.2	326.0	75%
Contingent Resources (1CR)	27.2	65.5	38.1	373.9	71%
Total All Categories	44.0	104.0	61.3	700.0	72%

## Potential for additional reserves

The Company believes that considerable upside exists to the Reserve Report from further drilling and production across a larger number of development areas, increased well density assumptions (greater than three wells per 640-acre section) and improvements in well performance through well design and completion optimization. In addition, our certification consultants have not yet recognized any reserves or resource potential that may be attributable to the Woodford Shale a productive formation that sits directly below the Mississippi Lime and is present across a large part of the Company's acreage.

## Reserve Methodology and Assumptions

The economic model used to establish the net present value for these reserves uses SEC pricing method, based on a constant price of US\$92.14 per barrel for oil and a constant price of US\$3.25 per mcf for gas. Differentials were used to adjust the gas price for the liquids yield contained in high BTU gas. Drilling and completion costs per horizontal Big River well were estimated at US\$3.154 million.

Lease operating expense assumptions for horizontal Big River wells in this reserve report were increased from the prior report to reflect changes in production methods, which have resulted in better recovery of reserves. The reserve report assumes recurring expenses of US\$3,500 per month for the first six months of production and US\$2,000 per month thereafter for the life of the well. The severance tax expense for horizontal wells in Oklahoma is calculated at 1% for the first 48 months of production and then reverts to the statutory rate of 7% thereafter.

The current full field development plan for the Company's Big River acreage includes a total of 822 gross locations (based on three wells per 640-acre spacing unit). On a net basis, this equates to around 300 net locations. Importantly, the net 3P reserves at Big River of 23.2 mmboe are only reflective of 115 net locations.

The net contingent resource of 38.1 mmboe is associated with 150 net well locations. The contingent resource estimate assumes a blended average EUR of 254 mboe (71% oil).

## Reserve Certification

Lee Keeling & Associates, Inc. (LKA) undertook the independent certification of the reserves outlined in this announcement. LKA were engaged this year by the Company to review and prepare a report on the Company's oil and gas reserves (Reserve Report). LKA are petroleum consultants based in the United States with offices in Tulsa and Houston. LKA provide specific engineering services to the oil and gas industry and consult on all aspects of petroleum geology and engineering for both domestic and international projects and companies. LKA have consented to the release of this reserves information.

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For Enquiries:

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## Appendix A.

Group Reserves As at June 30, 2013	Gross			Net (post royalties)			
	Oil (mmbbl)	Gas (bcf)	mmboe	Oil (mmbbl)	Gas (bcf)	mmboe	Wells
Proved (1P)	15.6	59.4	25.5	7.9	36.3	14.0	142
Proved plus Probable (2P)	22.3	75.5	34.9	11.1	44.6	18.6	189
Proved plus Probable plus Possible (3P)	40.2	110.2	58.6	18.5	58.7	28.3	235
Contingent Resources (1CR) <sup>1</sup>	99.9	241.3	140.1	27.2	65.5	38.1	150
<b>Total All Categories</b>	<b>140.1</b>	<b>351.5</b>	<b>198.7</b>	<b>45.7</b>	<b>124.2</b>	<b>66.4</b>	<b>385</b>

Note 1. Contingent Resources for Big River only

Big River Reserves As at June 30, 2013	Gross			Net (post royalties)			
	Oil (mmbbl)	Gas (bcf)	mmboe	Oil (mmbbl)	Gas (bcf)	mmboe	Wells
Proved (1P)	14.1	36.7	20.2	6.8	18.5	9.9	51
Proved plus Probable (2P)	20.3	50.3	28.7	9.7	24.9	13.8	74
Proved plus Probable plus Possible (3P)	37.9	84.5	52.0	16.8	38.5	23.2	115
Contingent Resources (1CR)	99.9	241.3	140.1	27.2	65.5	38.1	150
<b>Total All Categories</b>	<b>137.8</b>	<b>325.8</b>	<b>192.1</b>	<b>44.0</b>	<b>104.0</b>	<b>61.3</b>	<b>265</b>

### Notes:

1. EUR means Estimated Ultimate Recovery
2. HBP Program means the "Held by Production" drilling program.
3. Million ("mm") barrels of liquids and billion (b) cubic feet of gas.
4. The equivalent barrels ("boe") have been calculated on a simple 6:1 ratio (oil to gas ratios vary across the Mississippian play however Red Fork's results to date indicate that they are typically in the range of 70% to 80% oil with the balance made up of liquids rich gas). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mscf: 1 bbl is based on an energy equivalency conversion method. It should be noted that the value ratio based on the price of crude oil compared to the price of natural gas can and currently does vary significantly from the energy equivalency of 6 mscf: 1 bbl.
5. The NPV10 net present value at a 10% discount is net to Red Fork and is post royalties and taxes (other than corporate taxes) and includes capital and operational cost estimates.

## **Forward Looking Statements**

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.