



31 July 2012

## ACQUISITION OF INTEREST IN S WELSH PROJECT

### HIGHLIGHTS

- Acquisition of a 10.5%WI of an estimated resource of upto 450,000 bbls of oil in a low risk project approximately 250ft high to a well which produced 335,000 bbls of oil and associated gas. The well is designed to encounter the Marg Tex formation
- Initial production is expected to be 250 bbls oil per day
- Located in Jeff Davis Parish, Louisiana within the Welsh Field (produced 90 MMBO and 100 BCFG)
- Low cost normal pressured straight hole well of \$1m dry hole costs (GGE share \$145k)
- The Operator is finalizing execution of a turnkey contract and expects to spud the well in October 2012
- Project is an up-thrown 3-way trap on the flank of deep seated salt structure generated from subsurface well information and 3D seismic
- Sand deposition is uniform with the downdip well logging 150ft of sand

#### Board & Management

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#### ASX Codes

GGE (3,739m)

GGEO (1,469m)



## S WELSH PROSPECT

### S Welsh, Jeff Davis Parish, LA, 10.5% WI, Non Operator

The Board is pleased to announce the acquisition of a 10.5%WI in a low risk development project with an estimated resource of 450,000 bbls of oil.

The S Welsh project is located in Jeff Davis Parish, Louisiana on the SW flank of Welsh Field (90 MMBO & 100 BCFG). The well is targeting Marg Tex sands 250ft updip to a well that produced 335,000 bbls of oil. Including the adjacent fault blocks, the Marg Tex sands have produced over 1,000,000 bbls of oil from 4 wells. The proposed well is the highest location relative to these wells.

The project was generated from 3D seismic, reservoir study and subsurface mapping and is an up-thrown 3-way trap. The sand deposition is uniform in the area with the downdip well logging a combined 150ft of sand over three sands.

The potential net resources to Grand Gulf are estimated at 45,000 bbls of oil representing a low risk development project. Gross flow rates are estimated at 200-300 bbls oil per day. The net revenue interest is 75%.

The well is expected to be drilled on a turnkey basis to a total depth of 7,500ft straight hole. The Company's share of well costs is estimated at US\$145,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US\$72,000. The well is due to spud in October 2012. Pipeline facilities are present in the area and the well is likely to be put on production within 2 months of completion.

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For more information visit [www.grandgulfenergy.com](http://www.grandgulfenergy.com) and sign up for email news.

**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, Arkansas and Texas.

**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.