



29 February 2012

## VERMILION RIVER DRILLING UPDATE 5

### HIGHLIGHTS

- Currently completing setting casing at 13,485ft
- High Impact Project targeting 110 BCFG & 3.3 million barrels condensate, up to 185 BCF and 5.5 MMBC
- The prospect lies between two major fields; Erath (1.2 TCFG + 42 MMBC) and Abbeville (255 BCFG + 17 MMBC)

### DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)	* Gross Min Value of Product
Vermilion	Drilling	260-430 MBO	8.5-14.5 BCF	\$US50MM
Austin Bayou	April 12	40-60 MBO	2.7-4 BCF	\$US11MM
Desiree	April 12	310-420 MBO	-	\$US31MM
Leduc	May 12	170-1,680 MBO	-	\$US17MM
W. Klondike	Aug 12	210-500 MBO	0.6-1.7 BCF	\$US24MM
Total		990-3,090 MMBO	12-20 BCF	

### PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	160 MBO	.5 BCF	US\$20MM
Abita	ETA 15 Mar 12	70-140 MBO	1.6 BCF	US\$13MM
Total		230-300 MBO	2.1 BCF	

\* Gross value represents low case recoverable resources net to GGE multiplied by current oil and gas prices.

This number does not reflect royalties, cost of operation, development costs and is undiscounted.

#### Board & Management

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##### 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)



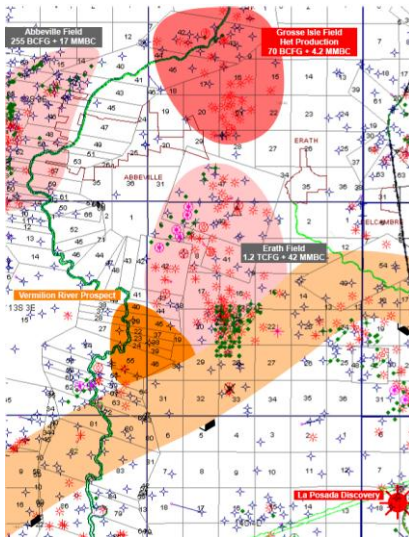
# VERMILION RIVER PROSPECT

R. J. Perrin et al Well No. 1, Vermilion River, Vermilion Ph., LA, 7.83%WI, Non Operator

The Board advises that the R. J. Perrin et al Well No. 1 is presently setting casing at 13,485ft. The well has experienced drilling delays and is presently running ~\$150,000 net to the Company over budget. Based on the current progress of the well the Primary objectives are likely to be drilled through within the next 35 days.

The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana. This well is being drilled to a total depth of 17,500ft straight hole. The project has similar traits and risks, and is close to, the Company's recent discovery and success at La Posada (8 miles to the SE). Walter Oil and Gas was a partner in the La Posada discovery and is a highly successful and professional private oil and gas company based in Houston with onshore and offshore gulf coast assets.

The potential net reserves to Grand Gulf are 260,000-430,000 bbls of condensate and 8.5 to 14.5 BCF gas representing the largest prospect in the Company's exploration inventory.



The proposed well is designed to penetrate and test multiple U Oligocene Heterostegina. sand units in a three way dip closure. With 500ft of structural relief the Vermilion River structure is situated within a Het mini embayment bounded by a series of expansion faults north of the prospect. Het sands within the embayment have been proven to be high quality reservoir rock with thicknesses in excess of 200ft common.

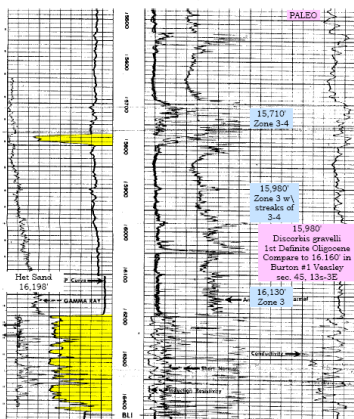
The prospect lies between the Erath (1.2 TCFG + 42 MMBC) and Abbeville (255 BCFG + 17 MMBC) Fields. Both of these fields produce major reserves from shallower middle to lower Miocene age sands and demonstrate a charged hydrocarbon system. Grosse Isle is the nearest Het field within the embayment 8 miles NNE of the prospect. Cumulative production from multiple Het sands is 70 BCFG + 4.2 MMBC. Het sands are a prolific productive target across SW Louisiana.

The initial well is targeting the most northerly of three prospective fault blocks with multiple objectives (Het 1A, 1, 2A and 2). The most likely resource potential of the initial fault block assumes 100ft of pay over 545 acres and is estimated to be 110 BCFG with 3.3 MMBC (upside potential of 185 BCFG and 5.5 MMBC). If successful, the project offers substantial cash flow, long life reserves which will have a substantial

impact on the Company with additional reserve potential in the southerly fault blocks.

## Getty Oil Company

#1 PA Broussard  
sec. 6, 13S - 4E  
Erath Field  
Vermilion Ph., LA



## Analog field

### Grosse Isle Field (1980)

- Analogous structure, timing, depth and deposition
- 98 BCFG & 9.6 MMBC (active)

## Operational and Economic Upside

### Production rates

Deliverability & analog sustained rates 30+ mmcf/d and 900+ bc/d

### Condensate yield

Higher yields on trend (50+ bc/mmcf)

### Drilling control

Offset well (Getty Oil #1 PA Broussard) drilled to Het 1A and encountered +200ft sand

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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.