



EMPIRE OIL & GAS NL

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Red Gully North-1 discovery delivers 53 metre gas pay

Oil and gas producer Empire Oil and Gas (ASX: EGO) is pleased to provide the following drilling update for the Red Gully North-1 (RGN-1) exploration well.

Progress

Since the last report on 22 December all technical data from the Red Gully North-1 well has now been recovered and interpreted. A total of 53 metres of net gas pay has been interpreted from the LWD logs acquired through the 8 ½" hole section to TD. This includes LWD data acquired while drilling and LWD data to assess porosity, acquired after reaching total depth and conveyed on drill pipe.

The 53 metres net gas pay is interpreted from logs in the C and D sands of the Jurassic age Cattamarra Coal Measures. These were the primary sandstone objectives of the well, located between 3,725 and 4,074 metres, and generated elevated gas readings while drilling.

Considerable analysis has been undertaken in relation to the lower interpreted porosity reported on 22 December. Data from the Red Gully-1, Gingin West-1, Gingin-1 and other nearby historical WAPET (West Australian Petroleum Pty Ltd) wells, which currently or historically flowed gas and condensate, significantly contributed to the understanding of the gas pay zones.

A detailed analysis of all LWD data for the Cattamarra Coal Measures, has resulted in an interpreted average porosity of the 53 metres gas net pay intervals in the C and D sandstone of 10% and 9% respectively. Applicable resistivity and porosity figures have been independently reviewed and confirmed by the Brisbane based petrophysical consulting firm Saros.

Additional thinner sandstone units were encountered beneath the C and D sands within the lower section of the Cattamarra Coal Measures. These lower sandstone units have additional minor gas pay calculated from logs and also generated elevated gas readings while drilling. While these lower gas pays zones are not included in the 53 metres total, they may contribute to further increase the overall net pay and production potential of RGN-1, subject to positive production testing.

Well operations on RGN-1 were finalised when the 7" casing was run and cemented from 4,392 metres to surface. The Enerdrill Rig 3 was released from the RGN-1 location on 28 December. Drilling of RGN-1 was completed on time and in line with Empire's forecast programme and budget.



A production completion has been pre-ordered and is designed to allow zonal isolation for an enhanced testing program. The completion will be run with a smaller and less expensive workover rig. A comprehensive well testing program will now be planned to determine (i) gas deliverability, (ii) gas condensate ratios and (iii) to recover gas and condensate samples. The completion and testing operation is scheduled to commence in March or April 2016, subject to rig availability, completion equipment delivery and government approval processes.

Empire Oil and Gas CEO Ken Aitken said the amount of gas pay logged in the RGN-1 exceeded Empire's pre-drill expectations.

"Empire is delighted with the results achieved from the RGN-1 drilling. Our technical team is now focused on delivering a successful completion and flow testing in early 2016 to determine flow rates from the well."

"While awaiting delivery of all items to undertake the testing program, the Empire team will carry out a volumetric assessment to determine the resource size. We look forward to updating our shareholders on those results as soon as possible."

"The flow rates and volumetric assessment will play an important role in determining whether gas and condensate produced from the RGN-1 well should either be utilised to (i) increase the life of the nearby Red Gully Processing Facility or, (ii) expand production capability beyond the current design capacity of 10TJ per day. Provided we achieve satisfactory results from flow rates and volumetric assessment, RGN-1 will play an important role in strengthening Empire's existing production hub, leveraging the company's 100% owned infrastructure, further improving production margins and significantly increasing cashflow."

"In addition to the immediate benefits of the RGN-1 well, this discovery further strengthens the value proposition and future prospectivity of the northern parts of EP 389 where we are interpreting evidence of structural leads (additional fault blocks) from the results of the Black Swan Airborne Geophysical Survey. Data collected from the RGN-1 well will be utilised to support potential future drilling, most likely following Empire's next immediate focus on the Lockyer Deep (EP368) and Raven (EP 432) prospects."

Participants

Empire Oil & Gas 100%.

Location

RGN-1 was spudded on 17 November 2015 and is located in EP 389, approximately four kilometres to the north of the Company's Red Gully Processing Facility. The well's proximity to the Red Gully Processing facility will allow for a fast tie-back and commercialisation of the well subject to the final successful flow testing of the well.

Yours sincerely

For Empire Oil & Gas NL

A handwritten signature in black ink, appearing to read "Ken Aitken".

Ken Aitken

Chief Executive Officer

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About Empire Oil & Gas

Empire Oil & Gas NL ('Empire' or the 'Company') is an onshore conventional gas and condensate producer and explorer listed on the Australian Securities Exchange (ASX: EGO) with key assets in the Perth Basin in Western Australia. The Company's producing assets at Red Gully are less than 150kms from the city of Perth where there is a strong gas market. Since commencing operations in 2013, the 100% owned Red Gully Processing Facility has produced and delivered over 6,000 Terajoules (TJ) of gas. Gas produced to date has been contracted to Alcoa and delivered through the Dampier to Bunbury Natural Gas Pipeline (DBNGP), which lies next to the Processing Facility. Condensate produced is transported via road to BP.

EGO is the holder of the largest net acreage in the highly prospective Perth Basin with its production licenses and permits covering more than 10,000km², representing 48% of the currently granted acreage in the Perth Basin. Close to pipeline infrastructure and with rapid commercialisation opportunities, the Company has significant exploration potential in an underexplored, proven petroleum system.

Empire's vision is to sustainably grow the business into a mid-tier exploration and production company. Empire's strategy is to be the Perth Basin operator of choice, safely supplying WA domestic gas by growing the Red Gully production hub, delivering reserves and production growth by drilling material quality exploration prospects in the high profit margin onshore Perth Basin, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.