



29 July 2015

ABN 55 063 613 730
Ground Floor
229 Stirling Highway
CLAREMONT 6010
WESTERN AUSTRALIA
Telephone: + 61 8 9286 4600
Facsimile: + 61 8 9284 6588
Email: admin@empireoil.com.au
Web: www.empireoil.com.au

The Manager
Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Red Gully B Sand proven (1P) Gas Reserves increase by 64%

Please find attached an Empire Oil & Gas NL (ASX: EGO) ASX Announcement advising of a major upgrade in the Red Gully B Sand proven gas reserves.

Yours sincerely
For Empire Oil & Gas NL

Rachel Rees
Company Secretary

29 July 2015

64% Increase in Red Gully B Sand Proven (1P) Reserves paves way for additional gas sales

- 1P Gas reserves up 64% to 12.29PJ
- 2P Gas reserves up 30% to 17.48PJ
- 1P Condensate reserves up 29% to 379 MSTB
- 2P Condensate reserves up 8% to 539 MSTB

EMPIRE OIL & GAS (ASX:EGO) is pleased to advise a significant increase in proven gas and condensate reserves for the B Sand of the Red Gully-1 well, in Production Licence-18/19 in the Northern Perth Basin. This follows a downhole pressure gauge survey undertaken in Red Gully-1 and an independent resource evaluation report prepared by RISC in accordance with the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS). Further details on the reserves assessment is attached (Attachment 1).

The Red Gully-1 B Sand has been in production for approximately 13 months. The table below summarises the changes to the Red Gully B Sand Gas Reserves as of 1 July 2015. Empire has a 100% interest in the Red Gully and Gingin West Fields

Red Gully B Sand Gas Reserves PJ (100%)			
	1P	2P	3P
Reserves at 1 January 2015	8.393	14.534	16.877
Revisions	5.364	4.414	5.510
Production	1.466		
Reserves at 1 July 2015	12.291	17.483	20.922

Table 3-7 Red Gully-1 B Sand Gas Reserves Reconciliation as at 1 July 2015

The strong results are very favourable for Empire as they mean the Company has sufficient proven gas reserves (1P) to cover all of the Alcoa Tranche – 2 with approximately 2PJ of uncontracted proven gas with the potential to increase gas and condensate sales, providing a further boost to cashflow.

The increased reserves also have the potential to extend the life of the Red Gully project by approximately two years.

Empire is currently supplying 8 terajoules a day to Alcoa of Australia but the Red Gully processing plant has a capacity of 10 terajoules a day.

In light of the increased Reserves, Empire will now undertake discussions with potential customers about the additional available gas.

CEO Ken Aitken said “Empire is starting to reap the benefits of the hard work undertaken behind the scenes over the past year or so. We are about to see a significant increase in cash received from Tranche-2 of the Alcoa contract, costs are falling at Red Gully and we have completed the gravity survey ahead of identifying new exploration prospects. This reserve upgrade will allow Empire the ability to generate more revenue.”

Attachment 1

Reserves

Note that this is not the initial disclosure of the Red Gully/Gingin West reserves they were initially disclosed in the 12th November 2014 under the AGM Notice of meeting ASX release under Appendix 7 – RISC Independent Technical Specialist report and revised in the ASX release of 22nd January 2015

The key reason for the increase in the reserves has been the slower than expected decline in the Red Gully-1 B sand wellhead flowing pressures observed since June 2014 and bottom hole pressure as measured in a static gradient survey carried out on 3 July 2015. RISC has concluded that a gas depletion drive system is prevailing in the reservoir which has increased the estimates of gas connected to the well and resulted in an increase in overall reserves based on material balance analysis. The January RISC report assumed an active aquifer pressure support which has now been ruled out. (Ref LR 5.31.5 , LR 5.32.1 ,5.32.2)

Red Gully gas total reserves in Table 1.1 include 0.1 and 0.3 PJ of D sand 2P and 3P reserves respectively (no 1P reserves are carried in the D sand).

The Gingin West well has not been in production and the reserves are unchanged from the reserve from the January RISC reserve report.

RISC has estimated a slow decrease in the condensate gas ratio over the field life therefore the Red Gully B sand condensate reserves have not increased as significantly as the gas reserves.

RISC assesses the reserves to be economic down to the current minimum rate of the Red Gully plant of 2 TJ/d based on reasonable estimates of future contracted and uncontracted prices and costs provided by EGO, which have not changed materially since the previous estimate. (ref LR 5.31.1) There is no material change to matters referred to in LR 5.31.2-LR 5.31.4 and LR 5.31.6 from the reserves release in January 2015

	Reserves (100%)		
	1P	2P	3P
Red Gully Sales Gas PJ	12.29	17.59	21.22
Red Gully Condensate Mstb	379.1	544.1	660.5
Gingin West Sales Gas PJ	0.01	0.2	0.3
Gingin West Condensate Mstb	0.5	10.4	15.6
Total Sales Gas PJ	12.30	17.79	21.52
Total Condensate Mstb	379.6	554.5	676.1

Table 1.1 Red Gully and Gingin West Reserves at 1 July 2015

- (Note:
- 1 Red Gully comprises the B and D Sand reserves discovered by the Red Gully-1 Well. Gingin West comprises the D Sand reserves discovered by the Gingin West-1 well.
 - 2 Additions beyond the field level have all been made arithmetically, as a result RISC cautions that the 1P aggregate quantities may be very conservative estimates and the 3P aggregate quantities may be very optimistic due to portfolio effects.
 - 3 Probabilistic and deterministic evaluation methods have been used.
 - 4 The reference point is the outlet of the Red Gully plant for sales gas and the stock tank for condensate.
 - 5 All reserves are considered developed)

EMPIRE OIL & GAS NL

Qualifications and Consent

The preparation of this report has been supervised by Mr. Geoffrey Barker, RISC Partner. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr. Barker is a Past Chairman of the SPE WA Section, a past member of the SPE International's Oil and Gas Reserves Committee 2007-2009, and is a co-author of the Guidelines for Application of the Petroleum Resources Management System published by the SPE in November 2011 (Chapter 8.5 Coal Bed Methane). Mr Barker is a Member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemistry), Melbourne University, 1980 and a M.Eng.Sc (Pet Eng), Sydney University, 1989 and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules. The estimates of reserves presented in this statement are based on and fairly represents information and supporting documentation prepared under the supervision of Mr Barker and he consents to its disclosure in this public report.

Media

For further information, contact:

Paul Armstrong

Read Corporate

08 9388 1474/0421 619 084