



EMPIRE ENERGY GROUP LIMITED
Level 7, 151 Macquarie Street
Sydney NSW 2000
T: 02 9251 1846
F: 02 9251 0244
(ASX: EEG)

ASX Announcement – USA Drilling Update

28 July 2014

DRILLING UPDATE - EMERALD OIL PROSPECT, ALLEGANY COUNTY, NY

As recently announced, the Company has identified a previously undefined oil prospect, comprising a formation generally referred to as the Upper Devonian Bradford Group Sands, in Allegany County, NY. Over the past 100 years or so, this formation has been a prolific oil producing formation in SW New York State and NW Pennsylvania.

The Company has now completed the drilling of the first 10 wells in what is now known as the Emerald Oil Prospect. Four wells have been completed with the remaining wells in varying stages of completion. Due to the production of natural gas, the completed wells have been shut in and will not start production until gas pipelines are connected to a take-away pipeline. The right of way negotiations for a connecting gas pipeline were agreed late last week and the new pipeline from the field to a sales meter, which is around 1.5 miles away, is expected to be completed over the next 2 weeks.

The first two wells drilled produced irregularly for a number of days, without regular artificial lift as the wells are in an isolated region and were initially operated on gasoline pumps. Estimated production flows were around 10 to 15Bbls/day with unknown gas recovery. Electricity has now been bought to the field and electric pump jacks on timers are being installed along with the natural gas pipeline infrastructure.

Preliminary tests on the oil produced shows an API of 43°. Oil produced will be transported by truck to the ARG refinery in Bradford County, PA.

The geology of the field, with producing formations at around 1,300ft indicates that the pay zone of Upper Devonian Bradford Sands continue at a thickness of round 35-40ft in four directions, although thinning to the East, from where the Company has been drilling. The Company currently has at least another 80 well locations which it can drill. Additional leasing programs are underway.

Although open hole log reserve analysis has been provided for the wells to calculate the potential EUR reserves expected from the completed reservoirs, until more production data is available the Company is not in a position to make this data available. D&C per well is around \$110,000.

ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC a wholly owned subsidiary. Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Current production is around 1,350Boe/d.

The Company holds approximately 232,000 net acres of Marcellus Shale and 148,000 net acres of Utica Shale in western New York State and Pennsylvania. In addition, the Company has Exploration Licence Applications over 14.6 million acres in the McArthur Basin, Northern Territory, Australia, which is considered prospective for oil and gas shale.

Empire Energy holds a US\$200 million credit facility with Macquarie Bank Limited, which can be utilised for the acquisition and development of oil and gas assets in the USA. This facility has around US\$41m of the debt facility currently drawn.