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## ASX Announcement – USA Drilling Update

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### DRILLING UPDATE - EMERALD OIL PROSPECT

The following update relates to the Company's drilling program in the Emerald Oil Prospect, in Allegany County, NY.

- The Company has now drilled and completed 12 wells to date.
- Due to the production of natural gas, the completed wells have been shut in until a natural gas gathering network can be connected to a take-away gas pipeline.
- Right of way negotiations for the gas pipeline to the sales meter are completed with pipeline being laid.
- After 8 months, the sales meter and tap into a high pressure natural gas pipeline have finally been approved by the purchaser with the Company now waiting for a connection date.
- The Btu of the gas will require that a stripping plant is installed prior to delivery to the sales meter. The stripping plant will be provided by a specialist provider on a profit share basis.
- Over 1,000 acres of land has now been leased or optioned within the region of the Emerald Oil Prospect, with around 75% contiguous to existing leases. This provides 200+ drilling locations, if the producing sands continue in the expected direction.
- Field calculations of potential EUR reserves have been completed. Due to restrictions on reporting reserves until independent production calculations can be provided, the Company is not in a position to make this data available. However, with a D&C cost per well of around \$110,000, the Company believes all wells drilled and completed will be economic and will demonstrate attractive returns on investment.

The Emerald Oil Prospect acreage has been acquired gradually over the past 12 months as part of the Company's ongoing active leasing program. Acreage has been acquired or leased for minimal cost, and with the prospect located adjacent to existing assets it allows the Company to utilise existing personnel to supervise the drilling, completion and production program with minimal additional cost. The drilling program falls into the Company's key metrics of low production risk and the ability to generate consistent positive cash flow.

The geology of the field, with producing formations at a depth of around 1,300ft indicates that the pay zone of these Upper Devonian Bradford Sands continue at an aggregated thickness of round 35-40ft in four directions, although thinning to the East, from where the Company has been drilling.

## **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.