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## ASX Announcement – Hedging & Drilling Update

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### HEDGING UPDATE

With the volatility being experienced in the commodity markets, it should be noted that approximately 75% of the Company's oil production (prior to current drilling program) is hedged at US\$90/bbl over 4.5 years and approximately 71% of gas production is hedged at an average of US\$5.90/mcf over 4.5 years.

### DEVELOPMENT WELL DRILLING PROGRAM – UPDATE DEVELOPMENT WELLS 1 TO 6

Empire Energy Group Limited (Empire) is pleased to announce the following update on its 2011 drilling program in the Central Kansas Uplift region:

Kollman #15 and the Carmichael/Kollman West Unit #4 well have been connected to tank batteries. Flow rates are set out below.

Drilling has commenced at the Esfeld #9, Barton County, Kansas. This location is to be drilled to a total depth of approximately 3,300 feet primarily targeting the Arbuckle formation. Based on structural mapping and reservoir characteristics in the adjacent wells it is expected the Lansing-Kansas City and Arbuckle to be the best zones for commercial production.

Current progress can be summarised as follows:

Well Name	Field	County, KS	WI	Status
Boxberger – Solomon #14	Hall-Gurney	Russell	70.7%	Flow rates at 5Bbl/d
C L Newcomer #9	Hall-Gurney	Russell	90.13%	Flow rates at 18Bbl/d
Kollman #15	Bemis-Shutts	Ellis	86.0%	IP flow rate at 12.5 Bbl/d + 600Bbl water/d.
Carmichael/Kollman West Unit #4	Bemis-Shutts	Ellis	90.13%	IP flow rate at 40 Bbl/d + 70Bbl water/d. After several days a down hole problem will require rework
Krankenbergs #5-19	Krankenbergs	Stafford	73.9%	Drilling underway
Esfeld #9	Kraft-Prusa	Barton	58.48%	Spudded

## **CENTRAL KANSAS UPLIFT**

Historically, Kansas has been a very prolific oil and gas producing state with cumulative production exceeding 6.1 billion barrels of oil (BBO) and 37.5 trillion cubic feet of gas. Current yearly production is approximately 33 million barrels of oil and 342 billion cubic feet of gas from over 60,000 wells. The most prolific oil reservoirs are the Arbuckle (Ordovician) and Lansing-Kansas City (Pennsylvanian) formations particularly from fields located on the Central Kansas Uplift (CKU). Arbuckle reservoirs have produced over 2 BBO statewide. Of the 31 counties in which the Arbuckle has been productive, over 70% of the production has come from 10 counties situated on the Central Kansas Uplift in which Empire Energy operates.

Empire Energy's initial focus in the Central Kansas Uplift will be to drill low risk development wells. At the same time the objective is to delineate additional prospects and to convert probable reserves to reserve 1P category.

## **ABOUT EMPIRE ENERGY GROUP LIMITED**

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 96% of its issued capital. Empire Energy USA is an oil and natural gas producer and also operates a small oil and gas field service operation. It has operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas).

Empire Energy implemented a US\$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US\$150 million.

For more information:

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