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4 September 2007

ASX Limited
Company Announcements Office
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

RE: EP 104/R1 CANNING BASIN, WESTERN AUSTRALIA – UPDATE ON THE VALENTINE-1 WELL

Please find attached a release providing Empire's summary on the progress of the drilling of the Valentine-1 exploration well, Canning Basin, Western Australia..

Valentine-1 is located 20 kilometres north of the township of Derby in north west Western Australia's Kimberley Region.

Drilling of the Valentine-1 well as at 6.00 am on 4 September 2007 reached a depth of 2589 metres.

Drilling to date to 2589 metres has revealed 5 additional elevated gas readings to those reported at 2250 metres on 30 August 2007. These additional elevated gas readings are at 2295, 2354, 2404, 2415 and 2470 metres. As detailed in this Release, intermediate electric wireline logs are to be run in the Valentine-1 well to evaluate the significance of these hydrocarbons indications.

The Secondary reservoir targets in Valentine-1 include the Carboniferous aged Anderson Formation and the Fairfield Group which are prospective for both oil and gas. The intervals that have reported anomalous gas readings to be evaluated by intermediate wireline logs are within both the Anderson Formation and the underlying Fairfield Group.

The Primary Reservoir Objective in Valentine-1 is the Late Devonian aged Virgin Hills Formation. Valentine-1 is designed to intersect the interpreted Virgin Hills, sandstone and carbonates near the structural crest of the prospect predicted at 3,222 metres. The Valentine Prospect is a large lowside fault closure and extends over an area of some 66 square kilometres along the Pinnacle Fault System. Empire Oil & Gas N.L. has previously stated there is potential for a similar amount of recoverable gas to ARC Energy's upside case of 1,091 billion cubic feet of gas. Empire's recoverable gas reserves are estimated at 1200 billion cubic feet of gas. Empire has also previously stated there is potential for the Valentine structure to have entrapped up to 200 million barrels of recoverable oil if oil is present and the structure is filled to its spill point.

I look forward to providing the evaluation of the wireline logs over all the hydrocarbon indications recorded in these secondary objectives in the Valentine-1 well to date and their significance.

Regards

J L CRAIG MARSHALL
Managing Director
EMPIRE OIL & GAS N.L.

VALENTINE-1 DRILLING REPORT

CANNING BASIN, WESTERN AUSTRALIA

Date:	4 September 2007	
Permit:	R1	
Well Location:	Lat : 17° 08' 23.46"S	
	Long : 123° 42' 32.40"E	
Directional offset to target:	0 metres	
Elevation:	Ground Level is 12.4mAMSL	
	Rotary Table is 18.1mAMSL	
Prognosed Depths (measured KB):	Top primary objective	Total depth
	3,222 metres	3,407 metres
Prognosed drilling time:	25 days	
Spud Date:	1230 hrs, WST 12 August 2007	
Present Depth:	2,589mMD	
Time of Reporting:	1200 hrs, WST 4 September 2007	
Operations Since Last Report:	Drilled 8 ½" hole from 2,340 to 2,589mMD	
Current Operations:	Wiper Trip	
Hydrocarbon indications:	Further drilling through the claystones and limestones of the Fairfield Group has revealed additional elevated gas readings at 2295m, 2354m, 2404m, 2415m and 2470m MD, each representing an interval of several metres. A wiper trip is presently being run to condition the hole prior to running an intermediate wireline logging suite to evaluate the significance of these hydrocarbon indications.	
Participants in the well (post earning):	Empire Oil and Gas NL - 14.8% ARC Energy Limited - 38.95% (Operator) Emerald Oil & Gas NL - 12.75% Pancontinental Oil & Gas NL - 10.0% Phoenix Resources PLC - 10.0% First Australian Resources Limited - 8.0% Indigo Oil Pty Ltd - 5.5%	
Comment:	N/A	

Canning Basin Valentine - 1

Spud Date: 12:30hrs 12th August 2007

General Well Data

DATE: 4/09/2007

Planned TD: 3407.5mMD / 3300m TVSS

Drill Floor Elevation: 18.1m amsl

Summary @06:00hrs WST

Current depth 2589m. Observing Well. Wiper trip / RIH

