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3 October 2007

Centralised Company Announcements Platform  
Australian Stock Exchange  
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### **PALITO BLANCO GAS DISCOVERY UPDATE**

Emerald Oil & Gas NL ("Emerald") is pleased to provide an update on drilling at the Jaime Garcia gas unit #2 well at the Palito Blanco prospect located in Duval and Jim Wells Counties, Texas USA. A gas discovery has been confirmed within multiple sands of the Yegua formation between 7,300 and 8,100 feet.

#### **PALITO BLANCO PROJECT DUVAL AND JIM WELLS COUNTIES, TEXAS**

*(Emerald earning 15% Working interest, Operator: Oso Exploration.)*

Progress report at the Jaime Garcia Gas Unit #2 well as at 6.00pm 2 October 2007 (Texas time).

**Current Depth:** 8,250 feet (Total Depth)

**Current Activity:** Conditioning hole prior to running 4½ inch production casing to TD (8,250 feet). Successfully recovered Schlumberger FIT tool from Y-21 sand test. Test at 8,088 feet depth (23 feet below top of sand at 8,065 feet) recovered gas & salt water. The upper portion of the Y-21 sand will be tested through casing at a later date as will the Y-14, 15 & 19 sands which appear to be gas-bearing from logs.

**Emerald Interest:** Emerald is earning a 15% working interest in this prospect.

**About Palito Blanco Prospect:** Palito Blanco Prospect is located in the South Texas Basin within Duval and Jim Wells Counties some 120 miles south of San Antonio. It is located within the prolific Yegua multiple-sand,

gas-producing fairway within Braman, Four Seasons and Palito Blanco fault – separated fields, which to date have produced 45+ BCF gas and 1.0+ million barrels of condensate. Some 400 acres are currently under lease within a larger AMI. The current 8,250 foot well has tested the Yegua formation multiple-sand package between 7,300 feet and 8,100 feet, the lowest of which was the Y-21 sand.

Structurally there appears to be room for 3-4 development wells around the original Jaime Garcia #1 well. **Total potential resources are approximately 10 BCF gas and 100,000+ barrels of condensate.** Further development potential might emerge from the larger AMI (area of mutual interest) with Oso Exploration.

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**About Emerald Oil & Gas NL**

Emerald Oil & Gas NL (ASX: EMR; EMRO) was listed on the ASX in June 2006, raising \$4 million. Emerald is an oil and gas exploration and production company with project interests in North Dakota and Texas in the USA and in the Canning Basin of Western Australia. Emerald's focus is on conventional reservoir targets for oil and gas prospects and its primary objective is to achieve near term production and cashflow to build shareholder value and provide funds to fuel further growth. Emerald's strategy is to take modest but meaningful positions in low risk exploration projects that can be swiftly brought into production.

Information in this announcement pertaining to exploration potential was compiled by Robert Berven, Emerald Oil & Gas NL's Technical Director who is a Member of the Australasian Institute of Mining and Metallurgy and the American Association of Petroleum Geologists CPG # 2498.

Statements regarding Emerald's plans with respect to its petroleum properties are forward-looking statements. There can be no assurance that Emerald's plans for development of its petroleum properties will proceed as currently expected. There can be no assurance that Emerald will be able to confirm the presence of additional petroleum deposits, that any discovery will prove to be economic or that an oil or gas field will successfully be developed on any of Emerald's petroleum properties.