EMPIRE OIL & GAS NL

ACN 55 063 613 730
SUITES 7 & 8
154 HAMPDEN ROAD
NEDLANDS 6009 WESTERN AUSTRALIA
TELEPHONE 61 8 6389 2687
FACSIMILE 61 8 9386 6812
EMAIL info@empireoil.com.au
WEBSITE www.empireoil.com.au\

11 October 2007

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

Dear Sirs

RE: EP 104/R1 CANNING BASIN, WESTERN AUSTRALIA – SUMMARY OF THE VALENTINE-1 WELL AND AN UPDATE OF THE STOKES BAY-1 WELL

Please find attached a summary of the Valentine-1 well and an update on the drilling of the Stokes Bay-1 exploration well.

The Valentine-1 well was a dual objective well which was sited to test the maximum possible extent of the shallow Point Torment gas accumulation and to also test a deep floor basin stratigraphic play in the Virgin Hills Formation. The shallow Anderson Formation objectives were encountered close to prediction and had excellent gas shows. The Valentine-1 shows indicate that the well could be right at the edge of the accumulation.

The Stokes Bay-1 well, a deviated well, will target these sands which Empire maps about 120 metres updip from where we saw the shows in the Valentine-1 well. We also saw some indications of oil in Valentine at the same level in the Anderson Formation. Oil was also recovered from the Lower Anderson Formation from the Point Torment-1 well during testing. The prospectivity for oil in the Anderson is also seen at West Kora-1 well, also located on Pinnacle Fault Trend, which was completed as an oil production well in the Upper Anderson Formation. The location of the drilling of the Stokes Bay-1 well this far updip is designed to evaluate both the gas tested at Point Torment-1 of 4.3 million cubic feet of gas per day, the excellent gas shows in Valentine-1 and the oil potential of the Lower Anderson Formation.

Consideration is being given that the EP 104/R1 Joint Venture deepen the Stokes Bay-1 well to the Upper Devonian aged Nullara carbonates, which produces oil at the Blina Oilfield located nearby in the same petroleum system. At the Nullara level, there were strong oil shows in the Point Torment-1 well that were never tested properly. As a consequence, the deepening of the Stokes Bay-1 well a couple of hundred metres to test the Nullara at this location is on the joint venture agenda.

At Stokes Bay-1 the current operation at 0600 hours 11 October 2007 is the running in the hole with a new drill bit to drill ahead in 8 ½" to the Anderson Formation reservoir objectives.

For further information please contact:

J L CRAIG MARSHALL
BSc (Hons), F. Aus. IMM, CPGeo
Managing Director
Empire Oil & Gas NL
Suite 7, 154 Hampden Road, Nedlands WA 6009
Telephone: 61 8 6389 2687
Facsimile: 61 8 9386 6812
Email: cmarshall@empireoil.com.au

STOKES BAY-1 DRILLING REPORT
CANNING BASIN, WESTERN AUSTRALIA

Date:	11th October 2007
Permit:	R1
Well Location:	Lat : 17° 08' 23.46"S Long : 123° 42' 32.40"E
Directional offset to target:	1024 metres
Elevation:	Ground Level is 12.4mAMSL Rotary Table is 18.1mAMSL
Proposed Total Depth (measured KB):	2505 metres
Prognosed drilling time:	15 days
Spud Date:	0930 hrs, WST 3 October 2007
Present Depth at 0600 hrs:	1841mMD
Time of Reporting:	0600 hrs, WST 11th October 2007
Operations Since Last Report:	Drilled 8 1/2" hole from 1226m to 1840mMD. Pipe stuck at 858m while pulling out of hole for a new drilling bit. String was freed and recovered. A cleanout trip was made during which 1m of new formation was drilled prior to POOH for a new drilling assembly.
Current Operations:	RIH with new BHA and bit to drill ahead in 8 ½" hole from 1841mMD
Hydrocarbon indications:	None
Comment:	N/A
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%

EMPIRE
OIL & GAS NL
DRILLING
STOKES BAY-1

Canning Basin Stokes Bay - 1

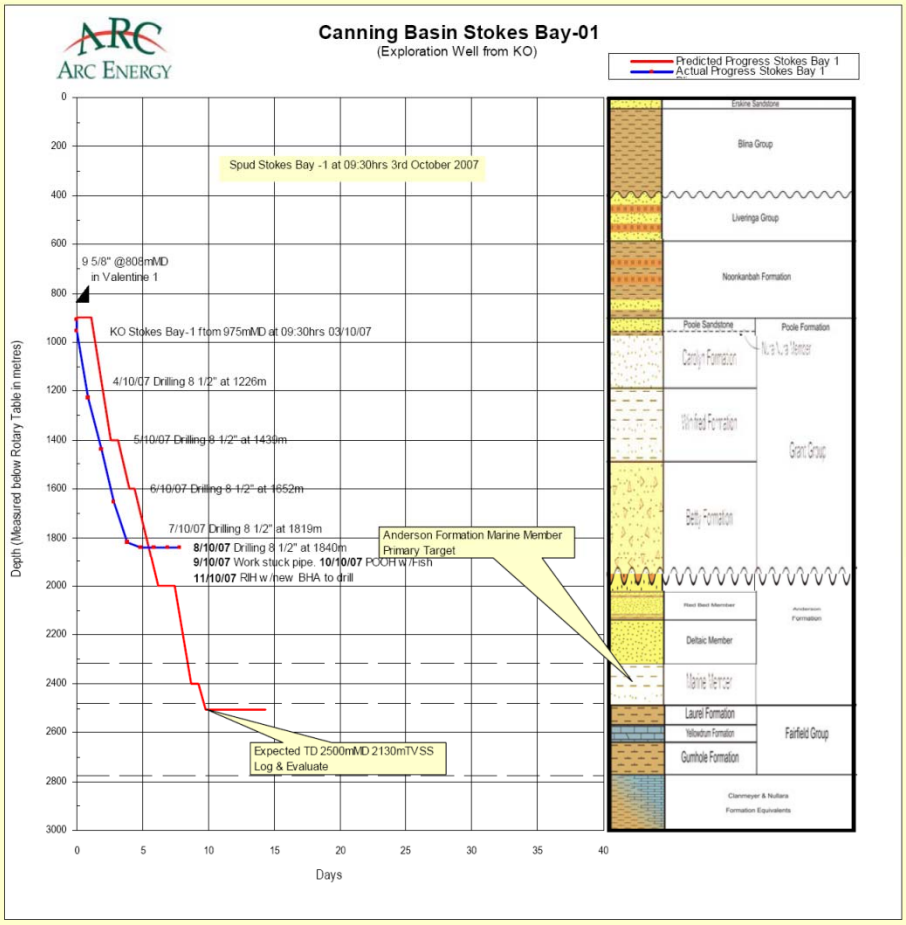
Spud Date: 09:30hrs 3rd October 2007 **DATE**: 11/10/2007

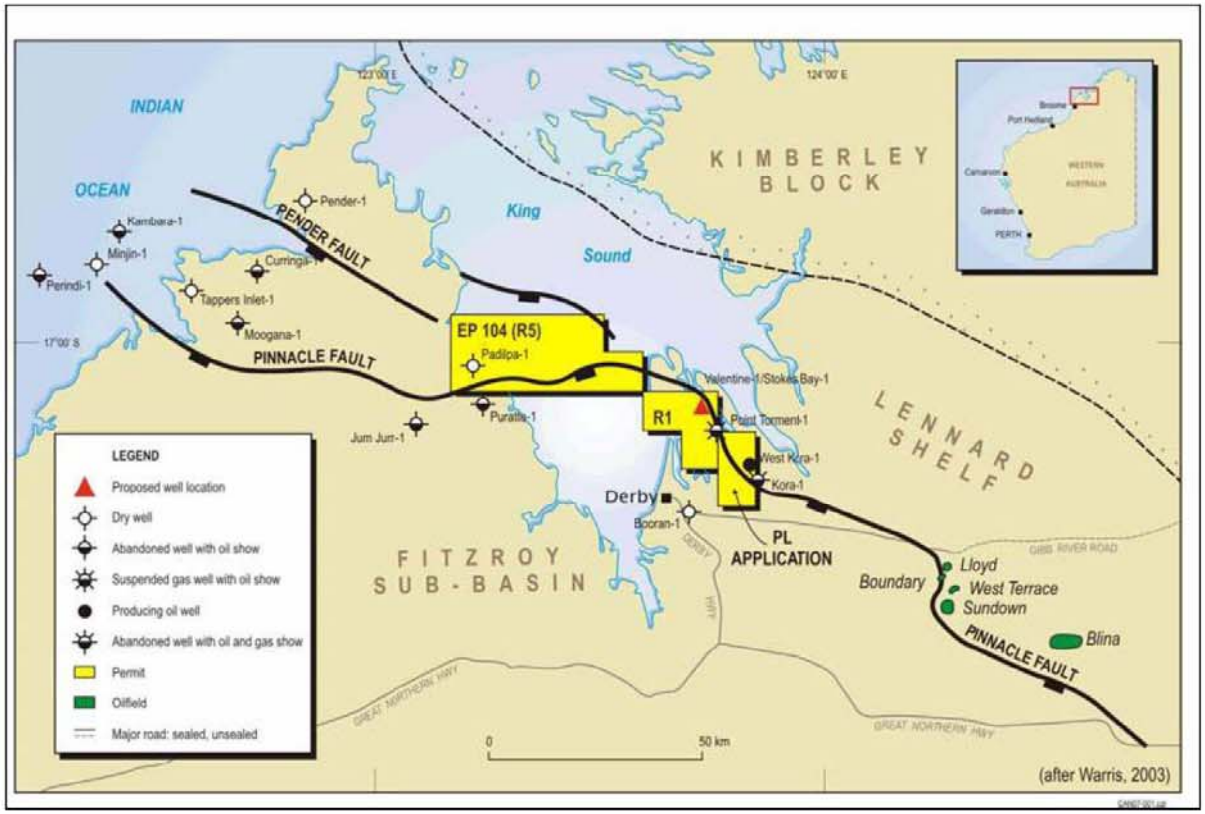
General Well Data

Planned TD: 2500mMD / 2130m TVSS **Drill Floor Elevation**: 18.1m amsl

Summary @06:00hrs WST

RIH with new bit to continue drilling 8 ½" hole from 1841mMD





Location of Valentine-1 and Stokes Bay-1
Canning Basin, Western Australia