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\

25 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 – THE STOKES BAY-1 WELL

The EP 104/R1 Joint Venture has elected to run 7" (178mm) casing in the well bore to enable testing of the oil and gas shows observed in the Stokes Bay-1 well. Testing will commence from the bottom zones upwards as is standard oilfield practice.

Empire is carried through this programme of casing and testing as part of its EP 104/R1 Farmin Agreement where it is carried through the costs of any completion of the Stokes Bay-1 well.

It is proposed to test the deeper Nullara Formation carbonate section first. The interval of interest is that interval where drilling fluids were lost in the well bore upon deepening the well to the Nullara Formation. This interval is called a lost circulation zone and is indicative of a very porous and permeable reservoir. Testing of the Nullara Formation lost circulation zone is designed to determine whether it is hydrocarbon bearing as it is in the Blina Oilfield, located along the Pinnacle Fault trend 100 kms south east.

Empire, upon electing to go Non-Consent, has minimised risk expenditure of the deeper drilling operations whilst retaining the right to "back in" to any deeper objectives paying the "back in" penalty out of any future oil and gas production, if hydrocarbons are present and they are completed for commercial production.

Testing of the Lower Anderson Formation sands, where several zones are interpreted to have oil saturations, are on the test programme agenda.

It is anticipated that, upon the 7" casing being successfully landed and cemented, the first operation conducted by the Operator will be to test the Nullara Formation lost circulation zone. Further testing through casing of the Lower Anderson Formation will follow upon the EP 104/R1 Joint Venture being provided with that test programme for consideration.

I look forward to providing further details of this exciting test programme in the Stokes Bay-1 well.

Regards

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:	25th 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):	2800 metres
Prognosed drilling time:	15 days
Spud Date:	0930 hrs, WST 3 October 2007
Present Depth at 0600 hrs:	2755m MD
Time of Reporting:	0600 hrs, WST 25th October 2007
Operations Since Last Report:	Since last report on Thursday October 11th, drill pipe conveyed logging has been conducted. Drillpipe conveyed logs rather than wireline logs have been run to TD due the angle of the well and hole condition. Preliminary interpretation of these logs indicates: a) The Anderson Sands have some zones with potential oil saturations. The commercial significance of those zones will require formation testing to evaluate. Testing of the Anderson zones would follow operations to evaluate the deeper Nullara Formation. A joint venture decision on testing of the Anderson awaits availability of the test program and any relevant information to be derived from testing the Nullara Fm. b) The top of Nullara Formation has been interpreted at 2722m MD. Below 2732m MD, the log quality is severely degraded by interpreted large scale vugular porosity such that quantitative interpretation is not possible. In addition to earlier reported drilling fluid (mud) losses into the Nullara section there have been continued losses while conditioning the well for logging and preparing to case the hole. Because of the losses and subsequent lack of mud and cuttings returns, there is no indication of fluid content in the Nullara porous section. As of 0600 today the wellbore is now properly stabilised and the forward plan is to run 178mm (7") casing prior

	to testing the Nullara Formation. As described in last week's announcement, all JV partners are participating in the shallow part of Stokes Bay-1 (above 2589m MD). However, less than all parties are participating in the well below 2589m MD such that equity levels in this part of the Stokes Bay-1 well (below 2589m MD) are: • ARC Energy Limited – 69.25% (Operator) • Emerald Oil & Gas NL - 12.75% • Pancontinental Oil & Gas NL - 10.0% • First Australian Resources Limited - 8.0% Under the Joint Venture Operating Agreement, the non-participating parties in the deeper part of the well (Empire, Phoenix and Indigo) retain a future right to earn back into the well by the payment of penalties out of future production.
Current Operations:	POOH to run Casing
Hydrocarbon indications:	Mud gas and oil shows as noted in the Anderson Formation. No returns or shows from the Nullara Fm. due to mud losses.
Comment:	While the loss of mud to the Nullara Fm has created operational difficulties that have now been overcome, we are encouraged by the presence of both porosity and significant permeability in the Nullara reef section. Development of vugular porosity in this section is a well recognised play, having previously been the target of exploration in the Basin, and we note that it is host to oil production at Blina some 100km to the SE. The planned test of the Nullara Formation will determine fluid type and flow characteristics of the reservoir. The Stokes Bay intersection of the Nullara Fm is 80m up dip of the Pt Torment 1 intersection which did not have the vugular porosity developed, but nevertheless tested gas at low rates.
Participants in the Permit **(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%

Canning Basin Stokes Bay - 1

Spud Date: 09:30hrs 3rd October 2007

DATE: 25/10/2007

General Well Data

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

Summary @06:00hrs WST

POOH to run 7" casing