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4 December 2007

Australian Securities Exchange Limited
Company Announcements Office
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

**RE: STOKES BAY-1, CANNING BASIN, WESTERN AUSTRALIA – UPDATE ON THE
TESTING PROGRAMME**

Please find details of the Stokes Bay-1 well testing.

Yours faithfully

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

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STOCK EXCHANGE RELEASE

4 December 2007

STOKES BAY-1, CANNING BASIN, WESTERN AUSTRALIA – UPDATE ON THE TESTING PROGRAMME

Further to the ASX release of 23 November 2007, ARC as the operator of the EP104/R1 Joint Venture, have advised Empire Oil & Gas N.L. that it has suspended the testing of Stokes Bay-01 and removed all contractors and equipment from the site following recent rainfall.

As was anticipated, the onset of seasonal rain has limited the safe access to the well, due to the low-lying terrain around the well site. The access track and well site have become temporarily unsuitable for the safe operation of heavy oilfield equipment.

The timely testing of the Stokes Bay-01 well is a priority, and the Operator plans to recommence the Stokes Bay well testing programme as soon as safe access is available at the end of the wet season, anticipated to be around April 2008.

The nature of the reservoir fluid and the source of pressure within the reservoir remain undetermined. Should the well be commercially productive better access facilities would be constructed to allow year round production.

The next update on Stokes Bay-01 well will be issued when testing of the well recommences.

Participants in Stokes Bay 1 (post earning) are:

Empire Oil and Gas NL	14.80%
ARC Energy Limited	38.95% (Operator)
Emerald Oil & Gas NL	12.75%
Pancontinental Oil & Gas	10.00%
Phoenix Resources PLC	10.00%
First Australian Resources Limited	8.00%
Indigo Oil	5.50%

For further information, please contact:

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