elixir
petroleum limited

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ELIXIR TO EARN INTEREST IN MUNESS EXPLORATION WELL

Elixir Petroleum Ltd (ASX: EXR, AIM: ELP) is pleased to announce that it has signed an earn-in agreement under which the Company will participate in an upcoming UK Central North Sea exploration well.

Elixir will earn a 7% working interest in Licence 1104 (Block 21/4b) from the licence operator, Kerr-McGee, by contributing a share of the costs of drilling an exploration well on the Muness prospect. The cost to Elixir is estimated to be less than £1 million.

Muness is a highly attractive, gas-condensate prospect which lies on the proven Lower Cretaceous Kopervik sand fairway. Conoco-Phillips' undeveloped Brodgar gas-condensate field lies on-trend, updip and approximately 10 km to the west of Muness.

The prospect is interpreted as a large stratigraphic trap which is estimated to host gross prospective resources at the mean level of some 350 bcf of gas and 20 million barrels of associated condensate. The presence of good quality Kopervik sands on the block has already been proven by the well 21/4-2 drilled in 1984.

The most likely impact on Elixir should the well encounter hydrocarbons as predicted is that its share of recoverable gas will be approximately 25 bcf together with 1.4 million barrels of condensate.

The planned well is to be drilled by the *Sedco 712* semi-submersible rig. The rig is currently testing a well in Block 15/22 with another joint venture and is expected to spud the Muness well around mid-November. In addition to Elixir, Oilexco and RWE Dea will also be earning an interest in Block 21/4b from Kerr-McGee.

Should Muness be successful, development will be helped by its proximity to existing production infrastructure, including Chevron's large Britannia gas-condensate project approximately 27 km north east of Muness.

Muness will be the second North Sea exploration well for Elixir as part of the Company's business model to provide investors material exposure to a series of high impact wells over the next 18-24 months. It represents Elixir's first activity generated via the farm-in route, rather than farming-out its own UKCS licence interests.

The Company is delighted to have secured such a prospective earn-in deal which provides near-term drilling activity. Success at Muness would add significant shareholder value.

Russell Langusch, Elixir's Managing Director, said, "We are delighted to have secured exposure to a high quality prospect such as Muness in association with our experienced North Sea partners. It represents our second exploration well and forms part of our commitment to participate in a series of high impact wells over the next two years."

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Footnote: This earn-in agreement differs from a farmin agreement only in the timing of the licence interest assignment. In the former the interest is assigned after a company earns its interest (eg meets its agreed share of well costs), whereas in the latter, the interest is assigned then earned. The end-results are the same.

Location of Muness, Block 21/4b, UK Central North Sea