

# ASX Announcement

ASX Code: STX



Date: 26 October 2007

Strike Oil Limited  
ABN 59 078 012 745

The Company Announcement Officer  
Australian Stock Exchange Ltd  
*via electronic lodgement*

## QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 30 SEPTEMBER 2007

Please find attached Strike Oil Limited's Quarterly Activities Report for the period ended 30 September 2007.

Yours faithfully

A handwritten signature in black ink, appearing to read "Simon Ashton".

**SIMON ASHTON**  
Managing Director

*Further information:*

**Strike Oil Limited**  
Simon Ashton - Managing Director  
T: 08 6464 0400  
E: [strike@strikeoil.com.au](mailto:strike@strikeoil.com.au)



### Our Strengths

- Producer/Explorer with strong cash flow
- Track record of discoveries
- Geographically diverse portfolio
- Highly experienced team
- Strong experienced partners
- Innovative approach to E&P

**Strike Oil Limited**  
Level 9, Wesfarmers House  
40 The Esplanade  
Perth WA 6000  
Tel: 08 6464 0400  
[www.strikeoil.com.au](http://www.strikeoil.com.au)

**QUARTERLY ACTIVITIES REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

---

**HIGHLIGHTS**

- Preparations to test the Duncan 1 well at the Rayburn prospect were completed and testing commenced.
- Construction of initial processing facilities for Rayburn production completed.
- The non-renounceable entitlements issue announced during the quarter closed in October raising \$10 million to fund the 2007/8 US drilling and development programme.
- A front End Engineering Design (FEED) study to investigate the feasibility of supplying gas from the Rivoli gas field to the Department of Defence nears completion.
- Colorado CVU (Coal View Unit) 31-4 sidetrack well encountered more oil shows before being temporarily abandoned due to mechanical problems with the rig.
- Barry Ford appointed Managing Director to run Hybrid Energy SA Pty Limited.

## **SIGNIFICANT PROJECT ACTIVITIES**

### **PRODUCTION ACTIVITIES**

#### **USA**

- ***Rayburn Project, Gulf Coast, Texas (22.8% working interest, ~17% net revenue interest)***

Operations to test a number of promising gas pay zones in the Middle and Lower Wilcox formation in the Duncan 1 well in the Rayburn project, Wharton County, Texas, has commenced. This included the construction of new facilities to process gas and oil condensate. Testing has now commenced subsequent to the end of the quarter, following minor delays due to a wetter than normal season.

Confirmation of the discovery through production testing will provide the company with a second producing asset and increased revenues. Flow rates from adjacent wells in the Wilcox formation commonly flow at initial rates above ten million cubic feet per day giving an indication of the potential for these wells.

Planning is underway to drill more development wells on the prospect. The first of these wells is Duncan 2, which commenced drilling subsequent to the end of the quarter.

- ***Bear River, Colorado (33.75% working interest)***

The Peltier 11-12 oil well continued to perform below expectation and has been shut in. Investigations conducted during the quarter suggest the well is accessing only a limited reservoir.

Consideration is being given to performing a small 3D seismic survey to assist with the mapping of the fault/fracture trends ahead of further drilling.

### **PRODUCTION REVENUE**

Strike's working interest revenue from Texas gas and oil condensate sales for the quarter was \$1.4 million. Gross daily production from the Mesquite project at the end of the quarter was five million cubic feet of gas and 53 barrels of oil condensate, per day. Production was lower than the previous quarter due to natural decline. Strike's working interest (WI) in the Mesquite field is 25%. Revenues suffered the effects of the strong Australian dollar against the US dollar.

At the Rayburn project, facilities are now in place so that test gas can be sold immediately.

<b>Production (Strike Oil WI)</b>	<b>September Quarter</b>	<b>June Quarter</b>	<b>Movement (%)</b>
<b>Gas</b> (mmcf)	141.0	151.3	(7)
<b>Oil</b> (bbl)	2,058	2,859	(28)

<b>Revenue (Strike Oil WI)</b>	<b>September Quarter</b>	<b>June Quarter</b>	<b>Movement (%)</b>
	(\$'000)	(\$'000)	
<b>Gas</b>	1,227	1,536	(20)
<b>Oil</b>	195	240	(19)
<b>Total</b>	<b>1,422</b>	<b>1,776</b>	<b>(20)</b>

## EXPLORATION ACTIVITIES

### USA

- ***Gulf Coast, Texas Projects***

There were no drilling activities in the Gulf Coast during the quarter. The results of the Duncan-1 well on the 500 billion cubic feet Rayburn prospect were incorporated into the interpretation of the 3D seismic data over the prospect. This, along with the very positive well results, has lead the operator to recommend further drilling on the prospect at an early date to establish the dimensions and size of the accumulations in each of the gas bearing sands. Some of these wells will be located to drill through additional potential gas bearing sands not penetrated in the discovery well.

The generation of new prospects along the Wilcox trend continued during the quarter. Leasing on these prospects is underway. Strike has a 25% WI in these new prospects.

- ***Rocky Mountains Projects***

**Tow Creek Prospect, Routt County (37.5% WI)**

Drilling of the CVU (Coal View Unit) 31-4 sidetrack hole was temporarily abandoned due to part of the drill string becoming irretrievably stuck in the well bore above the primary objective of the well, following mechanical problems with the drilling rig. The well has been temporarily plugged to allow further side-tracking operations at a later time with another rig. Strong oil and gas shows, recorded over fractured intervals within the Niobrara formation in both the original well bore and the sidetrack hole, remain untested.

**Florence, Fremont County (39% WI)**

Acquisition of the ten square mile (16 square kilometres) Florence 3D seismic survey was completed at the beginning of the quarter. The survey was completed under budget and the data appears to be of excellent quality. The survey covers a significant part of the old Florence oil field and overlaps a smaller 3D survey acquired by one of the company's partners in 2004. It is expected a well will be drilled towards the end of the next quarter subject to locating a suitable rig. Strike Oil has a 39% WI in the Florence project.

**AUSTRALIA**

- ***Carnarvon Basin***

Plans for drilling in the company's Carnarvon Basin permits were advanced as investigations into suitable shallow water drilling technology continued. At the same time, the company continued the process of obtaining environmental approval from regulatory authorities for a future drilling programme.

Technical evaluation of the Baniyas prospect in EP-424 continued in an attempt to identify the nature of the fluids in the mapped trap. Work to date suggests the prospect could contain either oil, gas or both. The possibility of gas in this prospect will not deter drilling as the potential domestic gas shortage in Western Australia and the rising price of sales gas are making smaller near shore, shallow water gas prospects more attractive to drill.

In July, the company announced that the Commonwealth of Australia, represented by the Department of Defence, had commissioned Strike to undertake a front end engineering design (FEED) study, to investigate the feasibility of supplying gas from the Rivoli gas field, located seven kilometres southeast of the town of Exmouth in exploration permit EP-325, to fuel power generation for the Defence Communication Station located north of the town. The results of the investigation to date have been sent to the Department of Defence and a draft report is due to be submitted in October. If approved for development, Strike will manage and operate the project, with first gas sales anticipated in 2009.

During the quarter the company relinquished its interest in exploration permit WA-340P as it considered it contained no prospects of viable size.

- **Cooper-Eromanga Basins**

Processing of the data collected during the Gukithi 2D seismic survey continued during the quarter. Once processing and interpretation of the data has been completed it is expected the operator, Beach Petroleum, will recommend at least one exploration well to be drilled before the end of March 2008.

- **Hybrid Energy SA Pty Ltd – FuturGas Project** (formerly Kingston Energy Project)

During the quarter the company completed a scoping study to outline potential uses for the large lignite (coal) resource located in permits held by Hybrid Energy SA Pty Ltd (Hybrid), a wholly owned subsidiary of Strike.

Subsequent to the end of the quarter, Strike announced that it had recruited Mr Barry Ford, an experienced energy executive with international experience, to run Hybrid and move the FuturGas project through the next evaluation stages. Hybrid is being set up in Adelaide and staffed independently from Strike, as a pre-cursor to a demerger and public listing of the company in the first half of 2008.

## **DRILLING SCHEDULE AND PROSPECT INVENTORY**

Strike continues to build an inventory of prospects and leads in Australia and the USA.

The company plans to participate in the drilling of at least two more wells before the end of the 2007 calendar year. This includes the Duncan 2 development well and possibly a second, on the Rayburn prospect, and a well at the Florence project, in Colorado. Drilling during the second half of the 2008 financial year is expected to include both development and exploration wells in Gulf Coast Texas. The prospects and leads inventory will continue to be upgraded with time to provide the best chance for success and risk management.

The provisional drilling schedule to mid-2008 is attached.

Please note the proposed drilling timings are susceptible to change due to rig availability, climatic conditions, joint venture and regulatory approvals and operator schedules.

## **HEALTH SAFETY AND ENVIRONMENT**

The company did not register any safety or environmental incidents during the quarter.

## **CORPORATE**

The company is pleased to announce that it has appointed Mr Barry Ford to the position of Managing Director of Strike's wholly-owned subsidiary, Hybrid Energy SA Pty Limited. Mr Ford will be responsible for managing the FuturGas project in southeast South Australia. Mr Ford was previously with TRU energy (Australia), Natural Gas Corporation (New Zealand) and TransAlta (Canada).

During the quarter the company announced a pro rata 1 for 6 non-renounceable entitlements issue of approximately 46,737,000 new fully paid ordinary shares in Strike at \$0.215 per share, to raise up to \$10 million. The proceeds of the issue will be used to fund Strike's ongoing drilling and development program in the onshore Gulf Coast, Texas.

## **NEXT QUARTER ACTIVITIES**

- **Continue testing of the Duncan 1 well on the Rayburn project, Texas.**
- **Commence production from the Duncan 1 well.**
- **Drill the Duncan 2 development well on the Rayburn project.**
- **Drill a well on the Florence prospect, Colorado, based on the recently acquired 3D seismic data.**
- **Complete FEED study for Rivoli gas field, Carnarvon Basin.**
- **Establish Hybrid Energy in Adelaide, South Australia, and commence the demerger and IPO processes and continue with the project evaluation.**



***For further information contact:***

**STRIKE OIL LIMITED**

**Registered Office:**

Level 9, Wesfarmers House  
40 The Esplanade  
Perth, Western Australia, 6000

**Share Register Enquiries:**

Computershare Investor Services  
Level 2, 45 St George's Terrace  
Perth, Western Australia 6000

Email: [strike@strikeoil.com.au](mailto:strike@strikeoil.com.au)

Website: [www.strikeoil.com.au](http://www.strikeoil.com.au)

Telephone: (61 8) 6464 0400

Facsimile: (61 8) 6464 0401

Telephone: (61 8) 9323 2000










Facsimile: (61 8) 9323 2033

Australian Stock Exchange Code: STX



## PROVISIONAL DRILLING SCHEDULE

Note: Timing of all activities subject to equipment availability, weather conditions, joint venture and regulatory approvals.

PROJECT AREA	Calendar Year			
	2007	2007	2008	2008
	October to December	January to March	April to June	July to September
<b>GULF COAST USA</b>	 		 	
<b>ROCKY MOUNTAINS USA</b>				
<b>COOPER EROMANGA</b>				
<b>CARNARVON BASIN</b>				