

# ASX Announcement

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31 January 2008

Strike Oil Limited  
ABN 59 078 012 745

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

## QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 31 DECEMBER 2007

Please find attached Strike Oil Limited's Quarterly Activities Report for the period ended 31 December 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 31 DECEMBER 2007**

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**HIGHLIGHTS**

- Revenue for the quarter was \$1.6 million, up 12% on the previous quarter.
- Gas production was up 20% for the quarter and oil-condensate production increased by 23%.
- Gas and oil-condensate sales commenced from the Rayburn project.
- Production testing of Middle Wilcox Formation in the Duncan 1 well (Rayburn project) yielded outstanding results of a sustained flow of 10.1 million cubic feet of gas and 260 barrels of oil-condensate per day.
- Other Rayburn project development wells Duncan 2/ST 1 and Gilbert Freeman 1 were drilled and cased for production testing.
- Completion of Front End Engineering Design (FEED) study for Rivoli gas field in the Carnarvon Basin.
- Hybrid Energy organisation evolving and funding being evaluated.

## SIGNIFICANT PROJECT ACTIVITIES

### PRODUCTION ACTIVITIES

#### USA

- *Rayburn Project, Gulf Coast, Texas (22.8% Working Interest, ~16 to 17% net revenue interest)*

Strike Oil increased its net gas and oil-condensate production during the quarter as a result of the sale of test gas and oil condensate from the Duncan 1 well.

Subsequent to the end of the quarter the following flow rates were reported to the local regulator, the Texas Rail Road Commission (TRRC), on 29 January 2008 (Texas Time). The Middle Wilcox Formation interval is currently flowing at a stabilised rate of 10.1 million cubic feet per day and 260 barrels of condensate per day, through a <sup>12.5</sup>/<sub>64</sub><sup>th</sup> inch choke. Tubing head pressure is 6,700 psi.

Based upon these results a new field discovery has been formalised with the TRRC and the field will be known as the Cypress Eagle Field.

Flow tests of the deeper, poorer quality potential gas pays in the Lower Wilcox in the **Duncan 1** well conducted in November produced a stabilised flow rate of approximately 0.5 million cubic feet a day. All the test gas was processed through previously installed gas treatment facilities and sold.

Thicker and improved quality sands are interpreted on the Rayburn structure at this Lower Wilcox level away from the Duncan 1 well bore indicating that higher flow rates are possible from potential "sweet spots" on the structure. A decision to drill further wells to test these locations will be made later in the year.

Meanwhile, activity was concentrated on appraising and developing the Middle Wilcox pay sand.

The **Duncan 2** well was drilled approximately 1,380 metres southwest of the Duncan 1 well. The target for this well was the Middle Wilcox potential pay sands identified in the discovery well (Duncan 1). The well was drilled to 3,719 metres but failed to intersect the pay sands. Subsequent wireline logs indicated the sand to be faulted out at the well location. A sidetrack well drilled to 3,700 metres encountered a full interval of sand of similar thickness and quality to the sands penetrated in Duncan 1. Elevated gas readings while drilling and wireline logs indicate the sand is gas bearing.

The well has been completed for production testing. Testing is scheduled for the first quarter of 2008.

The **Gilbert Freeman 1** well was drilled approximately 442 metres north of the Duncan 1 discovery well to test the extent of the field in a northerly direction. Gas shows while drilling and subsequent confirmation by wireline logs indicate the well penetrated the targeted Middle Wilcox pay sand previously encountered in the Duncan 1 and Duncan 2 wells.

The well also encountered a number of potential pay sands overlying the main target. These may be further evaluated by production testing in this well or by the drilling of additional wells.

The well was cased across all the potential pay sands and suspended for production testing in the first quarter of 2008.

The fourth well on the Rayburn project, the **Hlavinka Duncan 1** well, commenced drilling subsequent to the end of the quarter. The well was located approximately 2,957 metres northeast of the Duncan 1 well. It was targeting the same Middle Wilcox pay sand encountered in the Duncan 1 and 2 and Gilbert Freeman 1 wells. The well had reached a depth of 7,800 feet (proposed total depth of 12,600 feet) and had encountered a substantial gas show before downhole mechanical problems lead to a decision to plug and abandon the well and to redrill it approximately 300 feet (91 metres) from the original well. The drilling of **Hlavinka Duncan 1R** is expected to commence in early February 2008.

The gas shows in the Hlavinka Duncan 1 well are interpreted to be associated with a sandstone interval in the Cook Mountain Formation which is a substantial productive zone in the area. The significance of these gas shows cannot be determined until the section can be wireline logged in the redrilled well and ultimately tested if warranted.

Testing of the suspended Duncan 2 and Gilbert Freeman 1 wells will commence as soon as surface facilities have been constructed and pipelines have been installed and connected to one or more of the gas trunklines that exist nearby. This will allow all test gas to be sold.

These production facilities should be in place during the next quarter. Once these facilities are in place this will accelerate the time it takes for further planned development wells to be tied in for production.

The results of the Rayburn project to date have been very encouraging and will have a substantial impact on Strike Oil's reserves, production and cash flows.

The current drilling is focussed on achieving early cash flow. Reserves will be established progressively as the ongoing development drilling program

advances in the field. Three and possibly four additional development wells are planned to be drilled before the end of June 2008.

- **Mesquite Project, Gulf Coast, Texas (26.25% Working Interest, ~20% net revenue interest)**

Production from the Mesquite project was lower than the previous quarter due to natural decline. Average gross daily production for the quarter was approximately 4.6 million cubic feet of gas and 57 barrels of oil-condensate.

- **Bear River Project, Colorado (33.75% Working Interest)**

The Peltier 11-12 oil well has been suspended.

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.

In the meantime, the operator, Comet Ridge, is planning to farm out the Bear River Project on the joint venture's behalf, as part of a larger Rocky Mountains package.

## PRODUCTION REVENUE

Strike Oil's Working Interest revenue from gas and oil-condensate sales for the quarter was \$1.599 million. This is an increase of almost 12.4% on the previous quarter with the test gas and oil-condensate from Rayburn counteracting the natural decline at Mesquite.

The full impact of the production from the Duncan 1 well will not be evident until the March quarter. Currently gross sales from the well total AUS\$100,000 per day based upon US\$7 per mcf and US\$85 per barrel

Production (Strike Oil Working Interest)	December Quarter	September Quarter	Movement (%)
Gas (mmcf)	164	137	+20%
Oil (bbl)	2,937	2,395	+23%

Revenue (Strike Oil Working Interest)	December Quarter (\$'000)	September Quarter (\$'000)	Movement (%)
Gas	1,303	1,227	+6%
Oil	296	195	+52%
<b>Total</b>	<b>1,599</b>	<b>1,422</b>	<b>+12%</b>

## EXPLORATION ACTIVITIES

### USA

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

No drilling of new exploration prospects occurred during the quarter due to the focus on development drilling activity on the Rayburn project. Further the exploration wells are planned for later in the calendar year to allow for the near term focus on development drilling to increase production and revenues from of the Rayburn project.

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

- ***Rocky Mountains Projects, Colorado***

**Tow Creek/Bear River Project, Routt County (Working Interest 37.5%)**

The operator, Comet Ridge, is attempting to farm out the Tow Creek/Bear River projects, on the joint venture's behalf, as part of a larger Rocky Mountains package.

**Florence Project, Fremont County (Working Interest 39%)**

The 3D seismic survey acquired in previous quarters is of high quality and has lead to the mapping of numerous drilling locations, to test as many as six different geological concepts including the proven field pays in the Pierre Formation, the Niobrara Formation and a number of other horizons that lie deeper in the section.

The operator, Comet Ridge, is expected to propose up to three exploration wells for drilling before mid year.

## AUSTRALIA

- ***Carnarvon Basin***

Plans for drilling Baniyas and other prospects in the company's Carnarvon Basin permits are on hold while investigations into suitable shallow water drilling technology continue to be evaluated.

The 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 (Strike Working Interest 44.5%), to fuel power generation for the Department of Defence's communications station located north of the town, was completed during the quarter. A draft report was submitted in October and the final report and proposal was submitted subsequent to the quarter's end. If approved for development, Strike Oil will manage and operate the project, with first gas sales anticipated in late 2009.

During the quarter the company was awarded a new exploration permit, EP 459, adjacent to its existing TP/6 and EP 342 exploration permits in the Barrow sub-basin. Strike has a 100% interest in each permit.

- ***Cooper-Eromanga Basins***

Interpretation of the Gukithi 2D seismic survey data in ATP 633P (Strike Working Interest 15%) was completed during the quarter. The operator, Beach Petroleum, is expected to propose up to two wells for drilling before the end of the first quarter of 2008.

- ***Hybrid Energy SA Pty Ltd – FuturGas Project***

In October the company announced that it had established a wholly owned subsidiary, Hybrid Energy SA Pty Ltd (Hybrid Energy), to manage the FuturGas project and that it had appointed Mr Barry Ford as the company's managing director. Significant organisational and project progress has been made with an experienced team now having been recruited and an office established in Adelaide to advance the project.

FuturGas has the potential to be a major South Australian project providing further security and diversity to the state's energy supply by producing base load power and petroleum liquids (post gasification of the coal) and creating infrastructure development opportunities in the southeast of South Australia.

In light of recent weaknesses in global public equity markets Strike Oil and Hybrid Energy are progressing alternate funding options to the public market for the advancement of the project.

## **DRILLING SCHEDULE AND PROSPECT INVENTORY**

Strike Oil and its joint venture partners continued to build an inventory of prospects and leads in Australia and USA.

The company plans to participate in the drilling of at least three to four more wells on the Rayburn project (Texas), possible three wells at the Florence project (Colorado) and one or possibly two wells in the Cooper Basin before mid 2008.

Drilling during the second half of the 2008 calendar year is expected to be influenced by the results of the drilling in the first half of the year. Acceleration of the Gulf Coast drilling is a possibility conditional on results in the first half of 2008.

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 end 2008 is attached.

Please note the proposed drilling times 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 record any safety or environmental incidents during the quarter.

## **CORPORATE**

During the quarter the company successfully completed a pro rata 1 for 6 non-renounceable entitlements issue of 46,737,000 new fully paid ordinary shares, to raise \$10.05 million. The funds raised have and continue to finance Strike Oil's ongoing development drilling programme in the onshore Gulf Coast, Texas.

Ongoing funding for the broader Strike Oil activities will be through existing working capital, cash flows from operations and a proposed debt facility, although an additional equity raising may be required if the Rayburn Project is expanded or accelerated due to ongoing success.

## **NEXT QUARTER ACTIVITIES**

- **Construct surface treatment facilities and install and connect flowlines on the Rayburn project, Texas.**
- **Flow test the Duncan 2/ST 1 and Gilbert Freeman 1 wells on the Rayburn project, Texas, directly to sales which will lead to a significant increase in gas and oil condensate sales.**
- **Redrill the Hlavinka Duncan 1 development well on the Rayburn project.**
- **Drill at least one or two more development wells on the Rayburn project.**
- **Commence drilling in first or second quarter at the Florence project, Colorado, based on the recently acquired 3D seismic data.**
- **Commence drilling in first or second quarter in the Cooper Basin permit ATP 633P, based on recently acquired 2D and 3D seismic data.**
- **Progress the development of the Rivoli gas field, Carnarvon Basin.**
- **Continue the project evaluation and funding process for Hybrid Energy.**

***For further information contact:***

### **STRIKE OIL LIMITED**

**Registered Office:**

Level 9, Wesfarmers House  
40 The Esplanade  
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

**Share Register Enquiries:**

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

















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	2008 Calendar Year 2008			
	January to March	April to June	July to September	October to December
GULF COAST USA	 	 	    	 
ROCKY MOUNTAINS USA		 		
COOPER EROMANGA				
CARNARVON BASIN				

 Firm  Contingent