



# GOLDEN GATE PETROLEUM LTD



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Market Release (*via electronic lodgement*)

## **GOLDEN GATE ACQUIRES NET 70% WORKING INTEREST IN EAST TEXAS WILCOX PROSPECT WITH POTENTIAL P50 RESERVES OF 8 MILLION BARRELS OIL AND 60 BCF GAS**

- Golden Gate continues to expand activities in the U.S. Gulf Coast region
- Gross potential P50 is estimated at 60 BCF of gas and 8 million barrels of oil
- Wilcox sands #4 to 8 are potential reservoirs
- Nearby offset well is productive and has similar electric log response
- Re-entry of existing well is expected to commence during September/October 2007
- The Company will acquire a 70% working interest in the project
- Net revenue interest is approximately 49% after royalty's and over-riding interests
- The project adds another low-risk, high impact project to the Golden Gate portfolio
- Successful wells are likely to have a rapid payout of around 7 months
- Analysis of the oil quality indicates that it would attract a premium over WTI of US\$2 to \$3 per barrel
- This new project is consistent with Golden Gate's stated strategy to focus on hydrocarbon exploration onshore in the Gulf Coast region of the U.S. (Texas and Louisiana)

### **Details of Farm-in**

The Board of Golden Gate (ASX Code: GGP) is pleased to advise that the Company has entered into a letter of intent for the acquisition of a gas and oil prospect in Hardin County, Texas. Re-entry and completion of the existing exploration well is planned to commence during September/October 2007 and will be operated by Golden Gate. Total reserves are estimated (P50) to be 60 BCF of gas and 8 million barrels of oil.

This is the third in a series of new venture acquisitions that the Company is acquiring to bring diversity and growth to its asset portfolio in the onshore Gulf Coast region. These will continue to be low-risk exploration ventures, with high production rate potential and a significant oil component in reserves. The development of informal strategic partnerships is also an important component of this effort.

Golden Gate is acquiring an operating working interest in the Wilcox Prospect carrying the farm-out party for a 30% WI through re-entry, testing, completion and hook up of the initial and subsequent test well. A participation agreement will be executed following due diligence examination of all information. Golden Gate will retain a 70% working interest in the project.

The current existing leases cover 600 net acres, with additional option agreements extending control by the joint venture (within a 5,000 acre AML), expected to greatly expand the prospect area in close proximity to existing shallower production.

Re-entry of the existing well is expected to take place during September/October 2007 and take approximately 20 days to reach total depth. The re-entry strategy provides a very low up-front risk cost to test the prospect.

### **General Description of Prospect**

The prospect is a typical fault structure occurring within the main Texas regional fault trend and is sealed on its high side by a secondary fault. The main objectives are sands that occur within the Wilcox Formation at a depth of approximately 11,000 feet.

It lies adjacent to a field that has produced 7 million BBls of oil and 53 BCF gas since its development in 1956. This production was from the uppermost zones of the Wilcox. The deeper section had never been pursued with exploration impeded by the shallower focus along with the lower resistivity character of the productive sands. This leads to a regional play throughout the Wilcox section.

The high probability of success attributed to this prospect is a result of:

- high quality, 3D seismic data which defines the prospect;
- Existing exploration well that has already flowed oil and gas prior to mechanical failure causing it to be suspended.
- Nearby well producing from the same reservoirs showing similar electric log characteristics as indicated in figure1.

Figure 1 – Example Pay section Wilcox #4 zone

Wilcox 4-8 sands – have similar response and are productive in offset well

Mud log - Show

E-logs – Calculated pay



Infrastructure such as access roads and drilling pad are already in place as is a well suitable for re-entry. Operations are anticipated to commence during September/October.

The cost estimation for the well re-entry and completion is US\$2 million. Golden Gate is paying back-costs of US\$200,000 for its share of the prospect.

### Risked Financial Summary

The risk-weighted, expected monetary value (EMV) was estimated using both deterministic and probabilistic methods and assumes prices of \$40/bo for oil and \$4/mcf for gas without further discount factors.

**Golden Gate Executive Chairman, Sam Russotti said: “This third new prospect acquisition provides Golden Gate with a further low cost opportunity to add significant production and reserves while increasing the diversification of its portfolio. Together these three recent projects have the potential to significantly increase the Company’s asset value and the combined risk-weighted EMV impact is summarized in the following table”.**

<b>Gas/Oil Prospect</b>	<b>WI %</b>	<b>POS%</b>	<b>EMV US\$(M) P50</b>	<b>EMV US\$(M) P10</b>	<b>Net EMV P50/CPS(A\$)</b>	<b>Net EMV P10/CPS(A\$)</b>
Wilcox	70	65	206	412	123	245
Bowtie	18	50	23	70	15	44
Bullseye	48.75	60	193	194	76	110
<b>Total</b>			<b>412</b>	<b>676</b>	<b>214</b>	<b>399</b>

*On behalf of the Board of Directors*

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This report has been reviewed and signed off by Mr Sam Russotti, CEO, (BSc Geology) and Mr. Jeff Copley, Technical Director (BSc Geology & MSc. Geophysics), both with over 30 years experience in the oil and gas sector.

**Forward Looking Statements**

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.