

The Company Announcement Officer ASX Ltd
via electronic lodgement

SOUTHERN COOPER BASIN GAS PROJECT OPERATIONS UPDATE

- **Klebb flow testing – gas rate builds sharply as offset wells contribute**
- **Klebb 1 work over in June**
- **Klebb 2 and 3 frac program in July**

Strike Energy Limited (ASX:STX) (“Strike”) is pleased to provide an update on its continuing flow testing program at its Southern Cooper Basin Gas Project in PEL 96 (Strike 66.7% and Operator, Energy World Corporation (ASX:EWC) 33.3%).

Flow testing operations

Flow testing operations at Le Chiffre and Klebb during April and May have been focussed on reservoir pressure reduction to build gas flow rates towards commercial levels.

Good progress has been observed at Le Chiffre with the well currently undergoing an extended pressure build up test. Approximately 87,000 bbls of water has been produced from Le Chiffre to date. The build-up test will provide valuable reservoir data and allow the ongoing testing program to be further refined.

Following operational improvements, substantial progress has been made at the Klebb pilot leading to increased water and gas flow rates. As discussed in more detail below, we have now established communication between Klebb 1 and Klebb 3 and improved the productivity of Klebb 2. Gas flows have responded accordingly providing confidence that the Klebb multi-well test is capable of achieving commercial gas rates.

To shorten the time to commercial gas rates, we are accelerating our forward program to increase the collective production capacity of the Klebb pilot wells. Initially, a new rod pump will be installed at Klebb 1 to maintain steady production at lower reservoir pressures and enable pumping capacity to be increased at Klebb 2 and 3. This will be followed by fracture stimulation of Klebb 2 and 3, which will result in a substantial increase in multi-well production.

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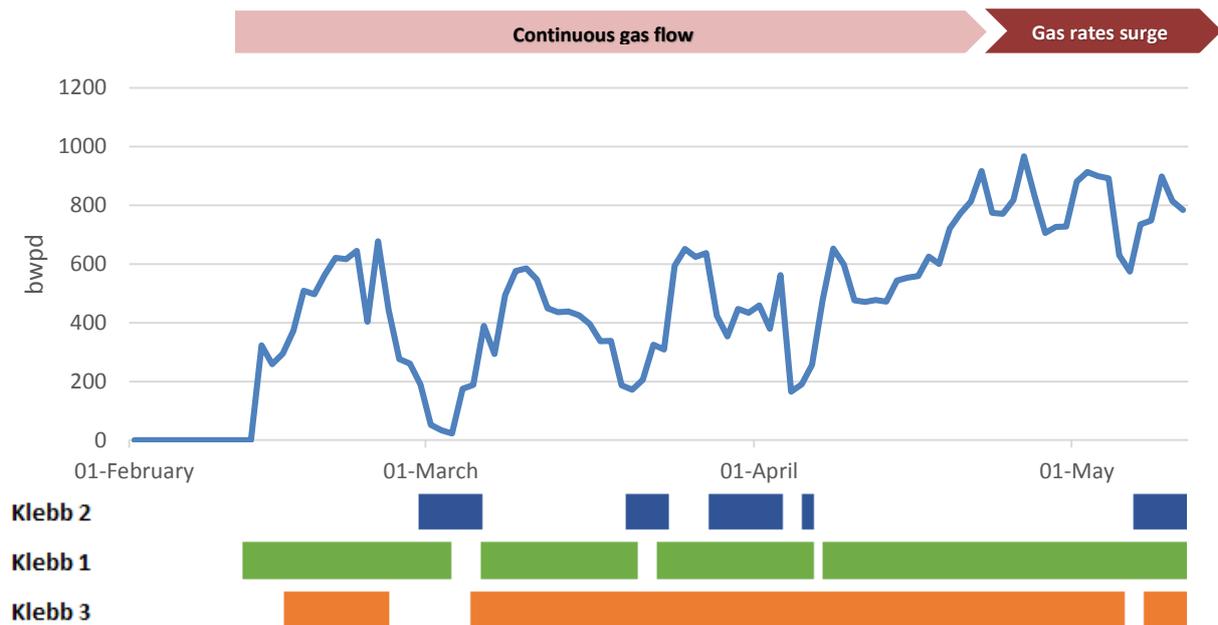


Fig. 1 - Klebb Pilot combined water flow rate (top) and individual well flowing days (bottom)

Flow testing operations during April and May have been focused on steady increases in flow rates from the Klebb 1 & 3 wells to realise greater well productivity. This approach has resulted in significant improvements at both Klebb 1 and Klebb 3, with Klebb 1 achieving peak flow rates in excess of 600 bwpd and Klebb 3 achieving rates in excess of 250 bwpd.

These operational improvements confirm the productive nature of the Patchawarra coals, with Klebb 1 flow rates constrained by pump capacity and Klebb 3 production from an unstimulated zone.

Towards the end of April, sharp increases in both instantaneous peak and sustained gas flow rates were measured at Klebb 1 confirming that production from Klebb 3 has started to assist Klebb 1. This communication was noted after approximately two weeks of building the average Klebb 1 flow rate over 500 bwpd and the average Klebb 3 flow rate over 200 bwpd. The effect of this competitive production is a reduction in the volume of water which Klebb 1 must produce to realise commercial gas flows.

An injection test or DFIT was successfully pumped at Klebb 2 on 5 May and the well has commenced flow testing at significantly higher rates than previously achieved. All three Klebb wells are now flow testing and we expect the contributions of Klebb 2 and 3 to continue to assist Klebb 1.

Current flows from Klebb 2 and Klebb 3 are restricted by surface equipment constraints, which will be rectified when the Klebb 1 well work over is completed.

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Forward Plan

A work over of the Klebb 1 well is planned to be completed in early June to replace the current jet pump with a rod pump. This will allow fixed water production rates to be maintained at lower reservoir pressures and will also facilitate down-hole gas separation. The maximum rate attainable with the beam pump is expected to be similar to the current flow rates of around 500 bwpd.

The clear evidence of communication between Klebb 1 and 3 has led to an acceleration of plans for the fracture stimulation of Klebb 2 and Klebb 3 with fracs approximately twice the size of the Klebb 1 frac planned in the Vu Upper zone at each well. This will allow substantially higher flow rates to be achieved from these wells, accelerate reservoir pressure reduction around the Klebb pilot wells and provide further information on stimulation requirements.

Managing Directors Comment

“The progress at the Klebb pilot over the past six weeks has been very encouraging. Our improved operating procedures have increased the productivity of the Klebb multi well pilot leading to sharp increases in gas flow rates as expected.

By accelerating the next stage of work we will shorten the time required to initially demonstrate commercial flow rates and then the peak productive potential of these wells.”

Yours faithfully



DAVID WRENCH
Managing Director