

31 October 2007

Company Announcements  
ASX Limited

**ENTEK ENERGY LIMITED**  
(ASX CODE: ETE)  
**ACTIVITY REPORT for the Quarter ended 30 September 2007**

**HIGHLIGHTS**

**Gulf of Mexico:**

- Development, fabrication and installation of gas processing facilities in High Island Blocks 24L (S/2 SW/4) and 24- L (N/2 SW/4) in the Gulf of Mexico in the lead up to production startup.

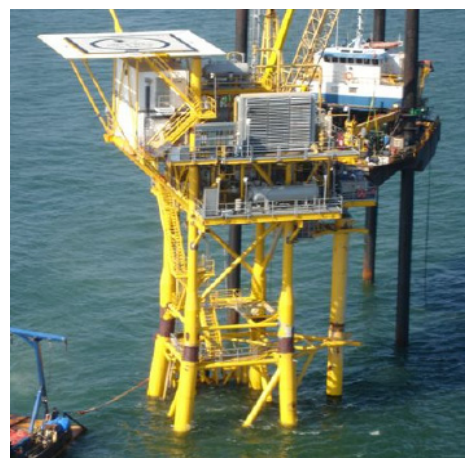
**SW Queensland:**

- Commencement of production from Byrock-2 well, initial production rate approximately 60 BOPD.
- Preparations scheduled for oil production at Marcoola-1.
- Oil discovery at Warragon-1 well.

**SIGNIFICANT EVENTS POST 30 SEPTEMBER 2007**

**Production commenced  
on the High Island 24L block  
on 18 October 2007 USCST.**

Production has now commenced on the High Island 24L block. Full production rates will not be reached until commissioning of the new facilities is completed. Flow rates are expected to increase gradually to full capacity through the commissioning period, expected to take several weeks. This is routine procedure for all new facilities, both onshore and offshore.



**Main production processing  
platform, High Island 24L**

**Entek Energy Limited (“Entek”) is in the process of rapidly realising its goals of becoming a significant oil and gas explorer and producer.**

The first quarter of the 2007-2008 financial year has seen:

- Expansion of the Company’s production interests, with the two wells and associated facilities on HI-24L readied for imminent production startup in the Gulf of Mexico, USA, and;
- Production commencing at Byrock-2 and the completion of a three well exploration drilling program that resulted in two oil discoveries in SW Queensland block ATP-269P.



**Main Production Platform HI-24L under construction**

The Company’s strategic approach to building value through focusing on low risk, high reward prospects has proved effective and Entek is now anticipating a substantial revenue stream from its Gulf of Mexico and SW Queensland holdings.

In less than one year from the Company’s first gas discovery in the Gulf of Mexico, Entek and its partners have progressed to imminent production from two High Island wells. This is an outstanding achievement by the Joint Venture Operator. (Subsequent Event: Production commenced 18<sup>th</sup> October 2007)

Entek’s existing production revenue from ATP-269P - currently from the Coolum and Byrock oilfields - is anticipated to increase over the coming months with Maroola-1 coming on-stream and possible production from Warragon-1, subject to the outcome of a testing program (scheduled for the 2<sup>nd</sup> Quarter)..

With the commencement of production from the High Island 24L block imminent, plus the recently expanded production income from the Company’s SW Queensland holdings, Entek has secured a substantial production revenue, enabling it to further expand its asset portfolio by acquiring new opportunities in the Gulf of Mexico.

## OPERATIONS

### GULF OF MEXICO

During the quarter, Entek participated in the development, fabrication and installation of gas processing facilities in the Gulf of Mexico in High Island Blocks 24-L (S/2 SW/4) and 24- L, (N/2 SW/4) through a wholly owned US subsidiary.

Entek's initial revenue stream from this production is forecast at up to A\$7 million and A\$8 million annually after royalties, subject to well performance.

#### High Island 24L

Development of the High Island discovery processing facilities and flowlines continued during the quarter.

A platform was set on the original discovery tract HI-24L (S/2 SW/4) and a second platform was set on tract HI-24L (N/2 SW/4) in August 2007. An 8-inch sub-sea pipeline was installed between the two wells, and a 10-inch pipeline to tie the gas production to the market was installed.

**A Report estimating Entek's share of the oil and natural gas reserves from the above field was prepared by Ralph E Davis Associates, Inc. ("Davis") of Houston in order to determine future net revenue specifically associated with the above two wells.**

The estimate of net present value reported from the leaseholds can be summarized as:

	HI 24-L (S/2 SW/4) #1	HI 24-L (N/2 SW/4) #1	TOTAL A\$
<b>ETE Present Worth @ 10%</b> <small>Notes 1 to 5</small>	<b>18.203m</b>	<b>5.084m</b>	<b>23.288m</b>

**Note 1** Present Worth net to Entek, in Australian Dollars (A\$), based on a conversion rate of 1 Australian Dollar = 0.86 United States Dollar.

**Note 2** Future net income is discounted at a primary rate of ten percent (10%).

**Note 3** Future net revenue and discounted present value associated with the reserves (as at September 1st 2007) was estimated utilizing a five year NYMEX strip for gas, with condensate priced at US\$50.00/barrel. (The WTI Crude Oil price is approximately US\$90.00/barrel.)

**Note 4** Direct lease operating expenses include direct cost of operations of each lease or an estimated value for future operations based upon analogous properties.

**Note 5** No allowance was made for depletion, depreciation, income taxes or administrative expenses.

This Present Worth estimate is for the HI-24L interest only and does not include:

- Entek's interests in a further 11 Gulf of Mexico leases.
- SW Queensland interests (ATP-269P) where reserve assessment is ongoing.

**Russell Brimage, Entek's Chairman, views these recent developments as a turning point, "With oil and gas prices rising, the new production program is starting up at the right time. The income stream generated will enable Entek to further expand its interests in the Gulf of Mexico."**

#### History of the High Island 24-L project:

In October 2006, following the first discovery, Entek and its joint venture partners were successful in acquiring three blocks contingent to the first discovery block HI 24L (S/2 SW/4). A successful development well was subsequently drilled in the adjoining block High Island 24 L, (N/2 SW/4).

WELL	SPUD DATE	TEST FLOW RATE (MMscfD)
High Island Block 24-L, (S/2 SW/4) #1	30 July 2006	47.5
High Island Block 24-L, (N/2 SW/4) #1	6 January 2007	50.5

Over a relatively short time, Entek has taken the above Gulf of Mexico prospect through bidding, drilling, discovery and through to production.

#### **SIGNIFICANT EVENTS FOLLOWING 30 SEPTEMBER 2007**

**Production commenced on the High Island 24L block on 18 October 2007 USCST.**

Production has now commenced on the High Island 24-L block. Full production rates will not be reached until commissioning of the new facilities is completed. Flow rates are expected to increase gradually to full capacity through the commissioning period, expected to take several weeks. This is routine procedure for all new facilities, both onshore and offshore.

On test, the two wells drilled on the HI-24L structure flowed a cumulative rate of 98 MMscfD; however it is expected the combined flow will be restrained by choking to rates for each well that are considered appropriate with respect to good oilfield practice. These rates will be reported by the Company when conditions stabilize.

**The Company was the high bidder on the block Garden Banks 115 at the Central GOM lease sale 205 on October 3rd 2007.**

Entek's Directors applied the criteria of the Company's agreed development strategy to arrive at an informed investment decision on bidding for the Cascade prospect in Block Grand Banks 115.

The bid was based on a range of investigations including seismic and geological data collected and assessed by the Company's Houston based prospect generating company. Evaluation of the Cascade Prospect indicates an inferred resource estimated of 10 to 20 BCF.

The Cascade Prospect is well placed for access to infrastructure, with a gas pipeline on the block, an oil pipeline 6 miles away and a production platform in close proximity.

Entek is considering a number of options to derive value from this prospect, including seeking a farmin partner in order to minimize exploration risk. Award of the lease to Entek is currently pending Minerals Management Service approval.

"This new lease compliments and expands our current portfolio of prospects and further strengthens the Company's position as a committed explorer in the Gulf of Mexico," said Chairman Russell Brimage.

The Company's Gulf of Mexico leases are summarized below.

<b>LEASE</b>	<b>AREA (ACRES)</b>	<b>WORKING INTEREST</b>
<b>TEXAS STATE OFFSHORE LEASES</b>		
Lease No. M-106410, High Island Block 24-L (S/2 SW/4)	720	5.0%
Lease No. M-107044, High Island Block 24-L, (N/2 SW/4)	720	5.0%
Lease No. M-107045, High Island Block 25-L, (S/2 SE/4)	720	5.0%
Lease No. M-107046, High Island Block 32-L, (N/2 NW/4)	720	5.0%
<b>FEDERAL OUTER CONTINENTAL SHELF BLOCKS</b>		
Block A-246, High Island Area, East Addition	5,760	100.0%
OCS-G 31602, Block 115, Grand Banks Area	5,760	100.0%
OCS-G 27091, Block 152, South Marsh Island Area, South Addition	2,500	15.0%
OCS-G 27089, Block 138, South Marsh Island Area, South Addition	5,000	11.25%
OCS-G 26560, Block A 307, High Island Area, East Addition, South Ext.	5,760	10.0%
OCS-G 26190, Block 79, Viosca Knoll Area	5,760	10.0%
OCS-G 27078, Block 317, Vermilion Area, South Addition	5,000	10.0%

## **SW QUEENSLAND**

**During the quarter Entek increased the value of its SW Queensland holdings with production startup at Byrock-2, successful exploration results at Warragon-1 (awaiting further testing), and progress at Marcoola-1 well in preparation for production.**

**Entek anticipates that existing production revenue from ATP-269P, currently from the Coolum and Byrock oilfields, will increase over the coming months with Marcoola-1 production startup and possible production from Warragon-1.**

Entek has a 28.15% interest in the SW Queensland block ATP-269P operated by Beach Petroleum Limited.

### **Byrock-2**

Byrock-2 well was completed in July 2007 and production commenced in August 2007. Production appears to have stabilised at approximately 60 BOPD. Further adjustments will be made to the rate as downhole fluid levels stabilize.

Byrock-2 was suspended in November 6th 2006 following a successful test over the interval 1978 – 1968.8 metres in the Toolachee Formation, which recovered 10 barrels of oil in pipe over a 2 hour flow period. There was no sign of water.

### **Drilling Program**

A three well exploration program was completed on July 26th 2007 with two successful oil discoveries, Marcoola-1 and Warragon-1.

### **Marcoola-1**

Marcoola-1 was a discovery in the previous quarter. The well was spudded on June 19th 2007 and reached total depth of 1,348 mRT on June 26th 2007.

The well has been completed down-hole. Surface production facilities are currently being installed to complete Marcoola-1 for oil production. It is anticipated that production from the Hutton Sandstone formation will commence during November 2007.

### **Warragon-1**

Warragon-1 is an oil discovery located approximately 18km northeast of Eromanga in SW Queensland. The well has been cased awaiting further testing.

The well was spudded July 5th 2007 and drilled to a total depth of 1,996 mRT. Primary objectives were the Basal Jurassic and the Toolachee Formation, with secondary objectives in the Patchawarra Formation and the Hutton Sandstone.

Attempts to flow test the oil shows in the Toolachee Formation were unsuccessful due to technical problems. The plan is to re-enter the well to test for commercial hydrocarbons in November 2007, using a workover rig to run tubing into the well with Tubing Conveyed Perforating equipment. This will enable flow testing of the well to establish inflow performance, followed by flowtest analysis and an assessment of the potential for production.

### **Coolum-1**

The Coolum-1 well continued to produce oil at the rate of approximately 14 BOPD.

**Reserves associated with these interests are currently being assessed and will be announced when the assessment is completed.**

### Nomenclature

BCFE Billions of Cubic Feet Equivalent

BCF billion cubic feet

BOPD barrels of oil per day  
m metres  
mRT metres relative to the drilling rig rotary table  
MMscfD million std cubic feet per day

**Enquiries:**

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