

July 4, 2008

## **ASX ANNOUNCEMENT**

### **Jones #1 Well reaches total depth (KTE 25%)**

K2 Energy Limited (ASX-KTE) is pleased to announce that the Jones #1 well, its first horizontal appraisal well to test the Woodford shale in the current drilling program on its Bad Creek Project in Oklahoma, has reached total depth. The horizontal leg of the well was drilled to the planned lateral extent of 2100 feet in the Woodford Shale.

A completion rig will now be moved onto the site and the well will be completed by application of Multistage Fracture stimulation techniques in the next 3 – 4 weeks. Multi stage fracture stimulation has been applied successfully by other operators in the Woodford play, adjacent to the Bad Creek project area.

The company expects that evaluation of the well including initial gas flow rates should be available in early August once the fracture stimulation has been completed and the frac fluids recovered from the well.

**K2 Energy has a 25% interest** in the well with the other principal partners being the large independents Williams Petroleum and Mahalo Energy, and also Irvine Energy and the operator Metro Energy Group.

The Jones #1 well is the first of several planned wells to test the Woodford and Caney shale resource of up to **81BCF net to KTE** of gas outlined by Netherland Sewall & Associates in its Independent Experts Report announced on 13<sup>th</sup> May 2008.

### **Woodford / Caney Shale Play – Arkoma Basin Oklahoma**

The Woodford / Caney Shale play is now proven and one of the fastest developing unconventional gas plays in the United States with many large independent such as Newfield Exploration, Devon Energy, Southwestern Energy, XTO, Petrohawk Energy and others all mounting aggressive drilling programs on the back of many successful wells in the adjoining areas. To date Woodford Wells in the play have consistently produced 1.0 - 3.4 million cubic feet of gas per day with reserves of 2-4 BCF of gas per well being booked.

**For any further information please contact, Managing Director, Peter Moore on  
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