

August 14, 2008

## **ASX ANNOUNCEMENT**

### **Jones #1 Woodford Shale well ( KTE 28%) Completion update.**

K2 Energy Limited (ASX-KTE) is pleased to announce that the Completion and fracture treatment first horizontal appraisal well to test the Woodford shale in the current drilling program on its Bad Creek Project in Oklahoma commenced this week.

The first of four planned fracture treatments on the 2200 ft lateral zone in the Woodford Shale commenced this week with the final and 4<sup>th</sup> frac scheduled to be completed by the end of August with production testing expected in early September.

Multistage Fracture stimulation techniques applied successfully by other operators in the Woodford play adjacent to the Bad Creek project area will be applied by the company.

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.

### **Farm out**

K2 Energy has farmed out part of the additional 13% interest in the Jones #1 well that was its additional entitlement pooled acreage secured via the forced pooling process of the Oklahoma Corporations Commission announced in the June Quarterly report.

K2 Energy's working interest in the Jones #1 has increased to 28% from the original 25% interest after farming out a 10% of the additional interest to Ainsworth Holdings Inc. of Houston Texas on favorable terms.

### **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.

***In July oil giant BP Plc. acquired 90,000 acres and multiple producing Woodford wells in the Woodford play in Oklahoma from Chesapeake Energy Corp for \$1.75 Billion.*** This acquisition confirms the status of the Woodford play as one of the booming unconventional shale plays in the United States.



K2 Energy has ~ 5800 net acres in its Bad Creek 3D seismic project area in Oklahoma which has both Woodford and Caney shale gas potential and the company proposes to prove up the acreage with several horizontal Caney and Woodford test wells planned at Bad Creek. The company has both Caney and Woodford production from several vertical wells at Bad Creek.

**For any further information please contact, Managing Director, Peter Moore on 02 9251 0355. Website: [k2energy.com.au](http://k2energy.com.au)**

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