



**InterOil Corporation
Elk-2 Appraisal Well
Drilling Report No. 1
March 2, 2007**

Elk Prospect

Type: Gas appraisal / oil exploration well

Location: PPL 238, Eastern Papua Basin
145° 08' 02.7587" E; 7° 03' 28.8562" S

Current Status: Currently cementing the 13 3/8-inch casing. Will rig up blow-out preventer in preparation to drill a 12 1/4-inch hole towards the primary target zone.

Drilled a 24-inch hole to 177 feet, followed by setting 18 5/8-inch surface casing at 177 feet (54meters). Drilled a 17½-inch hole to 1,919 feet (585 meters), followed by setting 13 3/8-inch intermediate casing at 1,913 feet (583 meters).

While drilling, background gas and trip gas shows were recovered,* gas was increasing as the 17½-inch hole section deepened from 870 feet, (265 meters) to the casing point. Gas included C1 – C5+.

Past Data: *(*note: previous wells drilled in the area have experienced background and trip gas, not uncommon in basins with an active source system such as the Eastern Papua Basin. Background and trip gas in no way confirm commercial accumulations of hydrocarbons. The purpose of the Elk-2 well is to validate the gas potential following the Elk-1 gas and condensate discovery. The potential pay zones must be tested to indicate if commercial accumulation of hydrocarbons may exist and the structure may need further geological, geophysical and appraisal drilling before determination of the presence of commercial gas and/or oil reserves. C1-C5 represents methane, ethane, propane, butane and pentane).*

Planned Total Depth: Approximately 10,000 feet (3,050 meters)

Operator: InterOil subsidiary, SPI (208) Limited.

Prospect Description: This well is targeting the Puri/Mendi limestone.

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Cautionary Statements

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We currently have no reserves as defined in Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. All information contained herein regarding resources are references to undiscovered resources under Canadian National Instrument 51-101, whether stated or not.