



**InterOil Corporation
Elk-2 Appraisal Well
Drilling Report No. 2
May 21, 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: Running in the hole with 8 1/2-inch bit in preparation to drill out the 9 5/8-inch casing shoe. The forward plan is to drill into the primary target of the Puri Limestone and complete a DST (Drill Stem Test) for gas.

Drilled a 12 1/4-inch hole from 1,913 feet (583 meters) to 5,945 feet (1,812 meters). Set 9 5/8-inch casing to 5,939 feet (1,810 meters) and cemented in place. Installed a downhole deployment valve (DDV) within the 9 5/8-inch casing at 3,419 feet (1,042 meters).

Past Data: Set 18 5/8-inch surface casing at 177 feet (54 meters). Drilled a 17 1/2-inch hole to 1,919 feet (585 meters), followed by setting 13 3/8-inch intermediate casing at 1,913 feet (583 meters).

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

Operator: InterOil subsidiary, SPI (208) Limited.

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

FOR FURTHER INFORMATION: Please see the InterOil web site at www.interoil.com

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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.