



**InterOil Corporation  
Elk-2 Appraisal Well  
Drilling Report No. 4  
June 27, 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, the Elk-2 well operations are running in the hole to begin coring operations following drilling breaks (indications of potential porosity), observed mudlog lithology changes and Logging While Drilling (LWD) log data, which indicate the well penetrated the Mendi limestone.

The well has drilled 1,273 feet (388 meters) of formation since the last casing point at 7,412 feet (2,259 meters) to the current depth of 8,684 feet (2,647 meters). The top of the Puri limestone reservoir was encountered at 7,667 feet (2,337 meters) and the top of the Mendi limestone was encountered at 8,527 feet (2,599 meters). A total thickness of 1,050 feet (320 meters) of limestone has been drilled with limited fractures seen.

In the limestone reservoir, persistent background and connection gas was encountered. Background gas ranged from between .07% to 0.7% with C1 (Methane) to C5 (Pentane) and connection and trip gas ranged between 0.18% and 16.07% with C1 and C5.\* Gas analysis results from onsite testing indicated heavier gas compositions as the well was deepened.

Prior to coring operations, an interim Drill Stem Test (DST) was run on the top of the Puri limestone with the following results:

- Natural gas flowed to surface with limited flow at the flare.
- Confirmed minimum gas column projected to be 2,346 feet (715 meters) from highest known gas in Elk-1 to top of Puri in Elk-2.
- No formation water was detected during natural gas flow to surface.
- Down-hole pressure was recorded to be 3,332 psi at 7,343 feet (2,238 meters) and was still building after the 12 hour shut in period was complete.

Operation objectives are to continue to core, drill and test prospective intervals in the Puri and Mendi limestone formations as planned. Additional objectives are to drill deep enough to confirm a definitive

gas/water contact and to check for the presence of a potential crude oil leg in the reservoir. Following the acquisition of a core in the Mendi limestone, the well is planned to be drilled to proposed total depth at the base of the limestone where full formation evaluation including wireline logs, rotary sidewall cores, VSP and additional drill stem tests will be performed.

*(\*note: Previous wells drilled in the area have experienced background gas, however background gas in no way confirms commercial accumulations of hydrocarbons. More definitive results on this well, will be forthcoming when the it is drilled to targeted total depth, and testing and logging is completed. The structure may need further geological, geophysical and appraisal work before a commercial confirmation of gas reserves.)*

**Past Data:**

Drilled 8 1/2 inch hole to 7,412 feet and ran and cemented 7 inch casing (liner) to 7,412 feet (2,259 meters) with top of liner at 5,755 feet (1,754 meters). Set 9 5/8 inch casing to 5,939 feet (1,810 meters) and cemented in place. Installed a down hole deployment valve (DDV) within the 9 5/8 inch casing at 3,419 feet (1,042 meters). Set 18 5/8 inch surface casing at 177 feet. 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](http://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.