



**ELK PETROLEUM
L I M I T E D**

ABN 38 112 566 499

Monday, 21 July 2008

Drilling Operations & Future Exploration Program

OPERATIONS

Outback Wilson #41-29 Well

The Wilson #41-29 has been plugged and abandoned. The primary target of the extensive and shallow Lance sands was found to be of good quality and close to mapped depths but was water wet. The well was drilled to its total target depth of 3,834 feet to test three lower sands: the Fox Hills, Teapot and Parkman sands. Whilst gas units in the drilling mud did increase at each with depth and hydrocarbons were also encountered in some cutting samples, subsequent electric logging of these sands indicated no movable hydrocarbons. A decision was made on 19th July to plug and abandon the well.

Further assessment of the Outback prospect will be made based on the excellent quality geological information obtained from the Wilson #41-29 well and in conjunction with exploration work to be undertaken at the nearby Ash Creek field (see below).

EXPLORATION PROGRAM

Ash Creek

The Company is to continue evaluation of the Ash Creek upper sands (which led to the identification of the Outback anomaly) integrating the results from the Wilson #41-29 well with all the data from the other wells at Ash Creek. Any testing of Ash Creek upper sands could involve entering one of the abandoned Ash Creek wells (drilled for production from the deeper Shannon sandstone reservoirs) or testing an available well at the adjoining South Ash Creek field. Whilst the latter option could be executed at minimal cost, it still requires a pooling agreement to be concluded between Elk and the owners of South Ash Creek field; this negotiation is continuing.

Uluru

The Company has been advised that the BIA ratification of the leasing of 88,400 acres of Crow Nation Tribal land in Montana has been executed and the 30 day "cooling off" period will be completed on the 29th July 2008. The process of leasing the mineral rights of the Tribe will have been completed then and Elk can commence the process of staking well locations and seeking Bureau of Land Management's (BLM) approval of Applications for Permit to Drill (APD's). The leasing of the Tribal land has an obligation to drill six exploration wells in the first year of leasing. The wells will be low cost wells targeting biogenic gas which, based on its presence in a number of shallow "water" wells and nearby recent biogenic gas discoveries, is expected to be encountered at depths from as shallow as 350 metres.

Depending on the time to achieve Tribal approval of the well locations, negotiate Surface Use Agreements (SUA) with the surface owners and approval from the BLM, the first wells are anticipated to be drilled in the fourth quarter of calendar year 2008. If Elk decides to drill the wells back to back, the drilling of the six wells could be achieved in less than 1 month. The cost of each shallow well is expected to be less than US\$150,000.

ELK PETROLEUM LIMITED

L40 Northpoint 100 Miller St North Sydney 2060
PO Box 405 Milsons Point 1565
Tel +61 2 9510 0030 Fax +61 2 9510 0003

DIRECTORS / OFFICERS

Peter Power
Glenda McLoughlin
Jo Bourke

Andy Rigg
Bob Cook
Chris Mullen

Issued Capital: 62.2m shares ASX Symbol: ELK
Contact : Andy Rigg MD/CEO Email info@elkpet.com Tel +61 2 9510 0030 www.elkpet.com.au



ELK PETROLEUM
L I M I T E D

ABN 38 112 566 499

A decision by Elk to share the risk by farming out any of the Uluru play area (which will be in excess of 100,000 acres once the Tribal lease is include) has yet to be made. .

Other Montana Prospects

Leasing of additional acreage by Elk in Montana has been continuing; this additional acreage coupled with acreage previously leased from the State of Montana State forms a new prospect area called Kakadu. Leasing in the play area is expected to cover an area of approximately 20,000 acres, mostly contiguous, when completed. Seismic coverage shot in the mid 1980's over the Kakadu play area has been acquired and will be re-processed prior to a well location being selected. The well is planned to be drilled in the first half of calendar year 2009.

A second play area in Montana, Didgeridoo, is also the subject of additional leasing.

Grieve

The location for a second well to test the Upper Sands at Grieve remains dependent on new well requirements for the Grieve Muddy enhanced oil recovery (EOR) project.

In commenting on the future exploration program, Elk's Managing Director, Andy Rigg said "The Company is in the favourable position of having generally stable levels of production to be able to take advantage of high crude prices to enable it to start to expand its activities into an exploration phase. The ability to have tested one aspect of the Outback prospect is the first step in this phase of the Company's operations; the next steps are to test other highly prospective targets either on our own, or where risks are assessed as being appropriately reduced by farming out, we will follow the business model successfully achieved at Outback".

ELK PETROLEUM LIMITED

L40 Northpoint 100 Miller St North Sydney 2060
PO Box 405 Milsons Point 1565
Tel +61 2 9510 0030 Fax +61 2 9510 0003

DIRECTORS / OFFICERS

Peter Power
Glenda McLoughlin
Jo Bourke

Andy Rigg
Bob Cook
Chris Mullen

Issued Capital: 62.2m shares ASX Symbol: ELK
Contact : Andy Rigg MD/CEO Email info@elkpet.com Tel +61 2 9510 0030 www.elkpet.com.au