Ambassador Oil and Gas Pty Ltd

ASX / Media Release

# Shocking 1 - Testing Oil Shows

Release date: 2 July 2012

Good oil shows have been encountered in the Shocking 1 oil exploration well being drilled by Ambassador Oil and Gas Limited (ASX: AQO).

A drill Stem Test is being prepared to evaluate the oil shows in the well's first primary target, the McKinlay formation. The McKinlay formation is typically a prolific producing horizon in the South Australian part of the Cooper basin.

The Shocking 1 well, 65 km south-east of the Moomba oil and gas processing facility, has an upside recoverable oil potential of more than 500,000 barrels from the Murta, McKinlay and Basal Birkhead/Hutton formations, all well known oil producing horizons in the Cooper basin.

Shocking 1, in permit PEL 516 in South Australia's Cooper basin, is the first of two wells being drilled consecutively in Ambassador's first ever exploration drilling campaign. Together the two wells have mean recoverable oil potential of 630,000 barrels.

| **Shocking 1 oil exploration well** | |
|---|---|
| Shocking 1 was drilled to 1394 metres and encountered oil shows in the Murta formation and the McKinlay member. The rig is pulling out of hole to test good oil shows encountered in the first of the primary targets, the McKinlay. | |
| Location: | PEL 516 Shocking Block |
| Planned Total Depth: | 1700 metres |
| Current depth (0600hrs): | 1394 metres |
| | |
| Participants in the Shocking 1 well are: | |
| **Ambassador Oil & Gas (ASX:AQO) (earning)** | **60%** |
| Senex Energy (Operator) (ASX:SXY) | 40% |

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**About Ambassador**

Ambassador Oil & Gas Ltd has portfolio of oil and gas exploration targets in the South Australian sector of the Cooper/Eromanga basin containing a mix of low to medium risk conventional oil and gas and unconventional coal and shale gas targets.

Ambassador owns 100% of PEL 570 in the South Australian Cooper basin and has negotiated a Farm-In agreement with ASX listed Senex Energy Ltd giving Ambassador the right to earn a 50% interest in the Zulu block of PEL 113 and a 60% interest in the Rowley and Mudlalee blocks within the PEL 516.

The Cooper basin is linked to the east coast gas market by an existing gas pipeline network providing Cooper basin gas with direct access to Queensland Liquefied Natural Gas projects near Gladstone currently under construction.

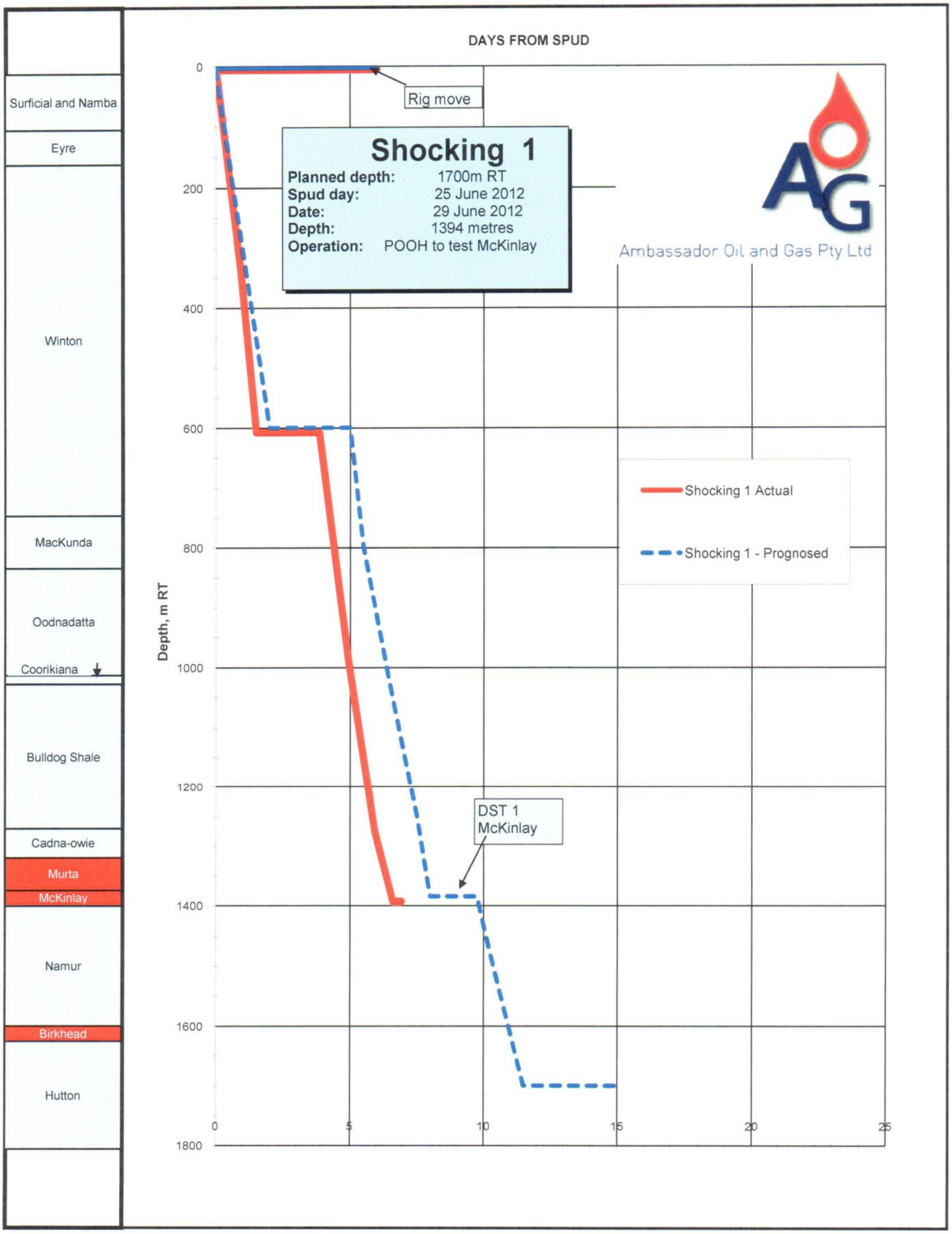
The unconventional coal and shale gas potential in PEL 570 will give AQO shareholders access to a new source of natural gas and gas liquids.

**About Shocking 1**

The Shocking 1 oil exploration well is in permit PEL 516 of the South Australian part of the Cooper basin. Shocking 1, has potential for more than 250,000 barrels of recoverable oil and is the first of two consecutive wells to be drilled in Ambassador's first ever exploration drilling program. The Shocking structure is mapped as having an upside recoverable oil potential in excess of 500,000 barrels from the Murta, McKinlay and basal Birkhead/Hutton formations, all well known oil producing horizons in the Cooper basin.

The Shocking 1 well is 65 km south-east of the Moomba oil and gas processing facility and is only 1.8 km north of the Vintage Crop oil field, currently in production. If successful and subject to appropriate commercial arrangements, the Shocking well can be efficiently linked to this facility with the oil produced and trucked to market.

Shocking 1 has a planned total depth of 1700 metres. After Shocking 1, the Kruger 1 oil exploration well will be drilled in PEL 516. The Kruger 1 well has a recoverable oil potential of 380,000 barrels if successful. Shocking 1 is the most north-westerly sub-culmination on the large Narcoonowie Horst and is expected to have multiple oil reservoirs similar to neighbouring, commercial, oil discoveries. Vintage Crop 1, also located on the Narcoonowie Horst, was drilled in May/June 2011 and discovered oil in the McKinlay member of the Murta formation. It was subsequently completed as an oil well and is currently producing from the McKinlay. This result enhances the prospectivity of the Shocking prospect.


DAYS FROM SPUD
Surficial and Namba
Eyre
Winton
MacKunda
Oodnadatta
Coorikiana
Bulldog Shale
Cadna-owie
Murta
McKinlay
Namur
Birkhead
Hutton
Depth, m RT
0
200
400
600
800
1000
1200
1400
1600
1800
0
5
10
15
20
25
Rig move
Shocking 1
Planned depth: 1700m RT
Spud day: 25 June 2012
Date: 29 June 2012
Depth: 1394 metres
Operation: POOH to test McKinlay
Ambassador Oil and Gas Pty Ltd
Shocking 1 Actual
Shocking 1 - Prognosed
DST 1
McKinlay