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The Company Announcement Officer
Australian Securities Exchange Ltd
via *electronic lodgement*

STRIKE SPUDS EXPLORATION WELL IN TEXAS

Prospect has potential to double Company's reserves

Strike Energy Limited (**ASX:STX**) advises that drilling commenced on 2 January (Texas time) at the Gardner Duncan 1 exploration well in Wharton County, located approximately 9kms north-west of the Company's existing Rayburn project in Texas, USA.

The well is currently drilling ahead at a depth of 2,167 feet (660 metres).

The Gardner Duncan 1 well on the Louise Prospect has a prospective gas resource of 30 billion cubic feet (Bcf). Strike has a 30% interest in the prospect, providing the potential to double Strike's existing reserve inventory.

The Gardner Duncan 1 well is the first of two wells expected to be spudded at the Eaglewood Joint Venture by mid-March, 2010. Drilling time is expected to be up to 14 days, for a proposed total depth of 10,300 feet (3,140 metres).

The drilling is to be executed under a turn-key contract which limits the exposure of Strike and its operator to cost overruns.

Drilling at Gardner Duncan 1 continues the successful exploration program in the Wilcox Formation, onshore Texas, which hosts the Rayburn and Mesquite discoveries.

Strike is currently producing at Rayburn and Mesquite at the rate of approximately 700 barrels of oil equivalent a day. This production generates over A\$1.0 million of gross revenue a month for Strike at current prices.

Strike and its partners have enjoyed a 50 per cent success rate on the four exploration wells drilled so far on the Wilcox Formation.

OUR STRENGTHS

- High margin producer
- Multiple large scale growth options
- Experienced team
- Long term track record of success

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Background on Strike Energy

Strike is an active ASX-listed oil and gas exploration and development company with high-margin production from its proven reserves and substantial growth potential from its highly prospective exploration acreage in Australia and the USA.

In the USA, the Company currently produces approximately 700 barrels of oil equivalent per day from its interest in two fields in Texas and is undertaking an ongoing exploration program to expand this successful position.

In Australia, the Company holds an extensive strategic ground position in the Southern Cooper Basin, for coal seam gas and conventional prospects and in the Carnarvon Basin for shallow water oil and gas prospects.

Yours faithfully

A handwritten signature in black ink, appearing to read "Simon Ashton".

SIMON ASHTON
Managing Director

Further information:

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