9 February 2015

**GRIEVE OIL PIPELINE SALE**
- Transportation agreements to be settled before sale proceeds

**HIGHLIGHTS**

- Completion of current negotiations for sale of Elk's Grieve oil pipeline between Elk and the potential buyer, as set out in previous announcements, is to await signing of transportation agreements with the two Grieve EOR\(^1\) project participants

- A pipeline sale agreement and associated terms and conditions has been substantially negotiated between Elk and the potential buyer and this agreement can be completed expeditiously once the required transportation agreements are in place

- The Letter of Intent (LOI) signed on 22 December 2014 setting out the terms for the sale has been allowed to lapse now that a pipeline sale agreement has been substantially negotiated and settled and while the transportation agreements are pursued

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**Elk Petroleum Limited (ASX Code: ELK)** advises that completion of current negotiations for sale of Elk's Grieve oil pipeline\(^2\) to the potential pipeline buyer, as set out in previous announcements, has been suspended while Elk settles a common transportation agreement with the second participant in the Grieve EOR project\(^3\), Denbury Onshore, LLC. It is planned to expeditiously pursue completion of this transportation agreement such that completion of the pipeline sale process can occur without delay.

Elk signed a Letter of Intent (LOI) on 22 December 2014 to sell the Grieve oil pipeline. Under the LOI, a pipeline sale agreement was to be settled by 6 February 2015, with completion in March 2015 and after due diligence. A draft pipeline sale agreement has been substantially negotiated and settled, but the potential buyer advised Elk that it seeks the commitment of both participants in the Grieve EOR project, as users of the pipeline, to the terms and conditions for use of the pipeline, including the project operator’s pipeline throughput expectations.

Rather than extend the LOI, the parties have agreed to let it lapse given that the terms for the pipeline sale agreement have now been materially settled, and for Elk to expedite arrangement of transportation agreements by both Elk and the other major producer of oil from the Grieve EOR project. Elk has already held a number of discussions with the other Grieve EOR project participant about a transportation agreement; such agreements were previously planned to be settled while the potential pipeline buyer completed outstanding due diligence during February and early March. Elk expects that the transportation agreement negotiations can be settled quickly so that the sale of Elk's pipeline can proceed as planned.

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\(^1\) EOR = enhanced oil recovery

\(^2\) The Grieve oil pipeline is a 32-mile-long (8-inch diameter) steel pipeline that extends from the Grieve CO2-EOR project that is operated by Denbury Onshore, LLC to a station located on the Spectra Energy oil storage facility in Casper, Wyoming.

\(^3\) Elk Petroleum has a 35% working interest in the Grieve CO2-EOR project. The Grieve oil pipeline is the only crude export route for the project approved under the environmental assessment issued by the Bureau of Land Management. First oil shipments from project are expected to occur in March 2017. Expenditures on the project to date are in excess of US$70 million. Denbury Onshore LLC operates the project. On 29 January 2015, Elk released the results of an independent expert's report on the project, this report provided updated estimates for Elk's net share of 2P, 3P and 3C reserves and resources for this project as well as related discounted present value estimates. The study indicates the project is attractive over a range of oil prices.
ABOUT ELK PETROLEUM

Elk Petroleum Limited ABN 38 112 566 499 (ASX: ELK) is an oil and gas producer and developer with assets located in one of the richest onshore oil regions of the USA: the Rocky Mountains. Listed on the ASX in 2005, Elk’s strategy is focused on applying established enhanced oil recovery (EOR) technologies to mature oil fields. This strategy significantly de-risks the process of finding and exploiting oil field reserves.

Leveraging proven EOR technology and experience, Elk is currently developing the Grieve CO₂-EOR project in Wyoming and is pursuing other opportunities, including CO₂-based EOR projects in Nebraska.

For more information on Elk, see Elk’s most recent Investor Presentations which are available on Elk’s website www.elkpet.com.