



**Stock:** Grand Gulf Energy (GGE)  
**Recommendation:** **SPECULATIVE BUY**  
**Price:** \$0.06

**EVENT: FLOW RATE ANNOUNCED FOR PATE #5-18**

- o GGE has announced that the Pate #5-18 well (GGE 25%, BP back in for 22% after 200% payout):
  - x Was turned into the sales pipeline on Friday 29 June at a rate of 1.3mmcf/d from the Spiro sand
  - x Will have the Panola sand perforated, fraced and commingled over the next couple of months
- o In additional updates:
  - x Two further wells are being permitted in Oklahoma (percentage interests to be finalised) and are expected to be spudded within a month
  - x The pipeline is being laid to the ConocoPhillips #4 well (GGE 7.5%) in Louisiana, which is expected to be turned into sales within 30 days
  - x The Catapult #1 prospect (Louisiana, GGE paying 5% for 3.75% interest, 13,700 ft, 30bcf) has been permitted, a rig is being sourced, and drilling is expected to commence within 6 weeks

**IMPACT**

- o GGE continues with its string of positive drilling announcements, as in addition to this announcement for the Pate well:
  - x The Reed #4-8 well (Oklahoma, GGE 8%) is connected and currently producing at ~750mcf/d
  - x The ConocoPhillips #4 well (in the process of being connected) flowed 3.2mmcf/d to atmosphere
- o GGE is showing that:
  - x It can provide a steady drilling programme from a potentially large inventory of low risk prospects
  - x Turn successful wells quickly into sales, providing incoming cash flow

**COMMENT**

- o We believe that GGE will provide investors with regular exposure to drilling activity, steady growth in sales and cash-flow, and access to a significant portfolio of prospects.
- o The Company has significant potential for growth, and we maintain our **Speculative Buy** recommendation

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**Important Disclosures**

- o Argonaut underwrote the Entitlements Issue in June 2007 and previously acted as manager to the placement of 50.0 million GGE fully paid shares at \$0.05 per share in December 2006 and received fees commensurate with these services.
- o Argonaut Capital has acted as Corporate Advisor to GGE and received fees commensurate with this service.

- The Argonaut Group has an interest and / or controls 15,271,172 (5.95%) GGE fully paid Shares and 1,342,385 GGE unlisted options.
- Argonaut Securities may receive brokerage income from clients who wish to buy or sell securities subject to this report.
- The analyst has an immaterial interest in GGE shares.

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