

ASX Announcement
May 18, 2010



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Directors

Michael Fry (Chairman)
David Prentice (Managing Director)
Perry Gilstrap (Director Operations)
Bruce Miller (Director Resources)
Steve Miller (Non-Executive Director)

ASX Code

RFE (Fully Paid Ordinary Shares)

East Oklahoma Project Economics Improved

- Significant cost savings being achieved due to refinement of drilling and completion methods
- Single well drilling and completion cost reduced by 33%
- Finding and development costs now less than US\$0.50 per Mcf

Oklahoma based (ASX listed) oil and gas exploration and production company Red Fork Energy Limited (“Red Fork” or “the Company”) is pleased to announce that continuing refinement of drilling and completion methods at its large 100% owned and operated East Oklahoma shale gas project are delivering lower finding and development costs.

Since the initial discovery was made and the productive capacity of the shallow shale was established, the Company has been working to refine its drilling and completion methods on this project with the goal of maximizing production and reserves at the lowest possible cost.

Red Fork is utilizing its operational experience and expertise at East Oklahoma to establish a very low finding, development and operating cost base on which to unlock the full potential of the very large multi TCF gas resource within the discovery area.

The Company’s most recent drilling and completion work (at East OK Central) has delivered success and Red Fork is continuing to work with its preferred service companies to improve results and lower costs as development continues.

Using this latest completion method, a single well can be drilled, completed and tied-in to sales for approximately US\$100,000. This represents a saving of US\$50,000 on the Company’s previously published drilling and completion costs per well.

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Importantly, this has allowed Red Fork to adjust its single well economic model for East Oklahoma to reflect these lower costs, with total direct “finding and development” costs now estimated to be less than US\$0.50 per thousand cubic foot of gas produced (“Mcf”).

In a notional 1,000 well development scenario for East Oklahoma, this drilling and completion method would deliver capex savings of approximately US\$50 million and the Company expects that economies of scale would drive costs even lower in a full development scenario.

Managing Director David Prentice noted that: “It is important to remember that reducing the cost of drilling and completing a well has the economic effect of increasing the price received for gas produced over the life of that well. These breakthroughs in reducing drilling and completion costs are effectively “permanent hedges” against future gas price fluctuations.

We are very pleased to achieve such significant cost reductions enabling Red Fork to exploit the large scale resource at East Oklahoma at the lowest possible cost and achieve a higher return on our investment.”

The economics of shale gas plays highly favor operators like us that invest in engineering and ongoing refinement of their drilling and completion methods for each project. It is recognized across the industry that the best operators statistically produce up to 4 or 5 times more gas from the same formation as an inefficient operator.”

Yours faithfully,



David Prentice
Managing Director

About Red Fork Energy Limited

Red Fork Energy Limited is an Australian publicly listed company developing oil and gas assets in Oklahoma, United States. The Company currently owns and operates three projects, East Oklahoma (~110,000 acres), West Tulsa (~15,000 acres) and Osage (~5,000 acres). These assets provide proven producing oil and gas fields as well as highly prospective exploration acreage for future growth. Red Fork is well advanced in achieving its goal of becoming an independent exploration and production company through the commercialization of the coal bed methane, shale gas and conventional oil and gas resources located within its landholdings.

Forward Looking Statements

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil and gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.