



**07 NOVEMBER 2006**

**FORTUNE OIL PLC**  
**(“Fortune Oil” or “the Company”)**

**Fortune Commences CBM Drilling**

Fortune Oil is pleased to announce that its first coal bed methane well was spudded in Liulin today, 7th November 2006. This vertical pilot production well, FL-EP2, is being drilled by Fortune Liulin Gas Company Limited, a subsidiary of Fortune Oil PLC which has entered into a Production Sharing Contract for development of the Liulin coal bed methane (“CBM”) block in Shanxi Province.

The Company plans to drill this well to a total depth of 1155 metres and take core samples from coal seams numbers 4, 5 and 8. A second vertical pilot production well, FL-EP1, will be drilled later this year to a planned total depth of 610 metres, with the timing depending on weather conditions. Seam 8 in both wells will then be fracture stimulated and production rates of CBM gas and water will be monitored over the coming months.

The Liulin block is located in a promising CBM development area of the eastern Ordos basin, one of the world’s largest CBM resource areas. Coal seam thickness, depth, gas content and permeability all appear to be highly prospective. There is substantial data already regarding the coal seam characteristics and gas content in and around the Liulin block as a result of over 70 coal coreholes and several CBM exploration wells that have been drilled in the past. The Company has recently completed a joint study with the Shanxi Coal Bureau to analyse and map this data, which was then used to optimise the locations for FL-EP1 and FL-EP2. These two wells should give significant reservoir and production data to assist in certification of the gas reserves in the Liulin block, although it will not be possible to properly quantify the results until the second quarter of 2007. Further pilot production and slim-hole data wells are planned for 2007 with the aim of declaring commerciality for the block in 2008.

The Company’s CBM team comprises Chinese professionals, all of whom have been trained by international operators particularly in regards to HSE (Health, Safety and Environment). All the operations of Fortune Liulin Gas Company and its drilling contractors are being monitored and assisted by Fortune Oil’s Group HSE Manager, and the Company has procured all necessary environmental permits for drilling in 2006 and 2007.

Fortune Oil is very optimistic concerning its prospects for CBM development in China. We expect CBM to be a major source of natural gas for China over the coming years and our access to CBM will complement our growing natural gas distribution business in Shanxi Province and the Beijing hinterland. The proper extraction and utilisation of China’s CBM will also have significant safety benefits for the coal mine industry and will help reduce global warming.

Fortune Oil is now the first international company in China to be operating in both the upstream gas sector and in downstream gas distribution. This is a major step forward along the Company's path of growing an integrated gas business. The Company will continue to seek both CBM and gas distribution investment opportunities in and around Shanxi Province.

Mr. Qian Benyuan, Chairman of Fortune Oil, commented:

*"This is a very significant step forward for Fortune Oil. In a relatively short time-frame we have assembled a highly professional upstream team, we have completed a geological study of the block and we have now commenced our first pilot drilling. We would like to thank our government partner, CUCBM, for their guidance and assistance in bringing us to this point."*

**Enquiries:**

**Fortune Oil PLC**

John Pexton – Deputy Chief Executive

Tel: 00 852 2583 3113 (Hong Kong)

**Pelham Public Relations**

Archie Berens

Tel: 020 7743 6679 or 07802 442 486