



*"Investing in North American Energy"*

**Derek**  
Oil & Gas Corporation

DRK:TSX.V DRKOF:OTCBB

www.derekoilandgas.com

**President's Quarterly Report – June 2007**

**THIS IS NOT A NEWS RELEASE - FOR THE INFORMATION OF SHAREHOLDERS ONLY**

**Dear Supporters, Shareholders & Potential Investors:**

Since Derek Oil & Gas Corporation ("Derek") became reestablished as project operator and regained a 95% working interest in the 8000 acre LAK Ranch property in NE Wyoming last quarter, the Derek team has progressed the project to an advanced level. This progress includes completion and implementation of a 12 well program slated to put the LAK Ranch into commercial production by the end of this summer. "Full steam ahead" is proving to be Derek management team's new direction. Over the last four months, the Derek team has completed the 12 wells, installed necessary facilities upgrades and commenced steaming. As the reservoir temperature increases, lower crude oil viscosity and increased production will follow.

**Quick Overview on Derek for new readers:**

- Derek has a 95% working interest on the overall 8000 acres of prime property located in a regional oil migration fairway in NE Wyoming's Powder River Basin
- The 12 well program **only** is being conducted jointly with a third party on a fifty-fifty cost basis, with the third party receiving fifty percent of the revenue until payback on their initial investment is met. Once payback is met, the third party's revenue interest (only on the 12 well program production) will revert to forty percent. Derek will have a 95% working interest in any current and future development and production on the property outside this 12 well program area.
- Derek owns an approximate 4.42% royalty
- The LAK Ranch property is located five miles from the Newcastle Refinery
- The reservoir contains tens of millions of barrels of high quality oil
- The oil is viscous & requires an enhanced oil recovery method (EOR) to extract
- The infrastructure required to extract the oil was designed & built by Bateman Engineering Inc.
- The above ground facilities have been paid for in full (by Derek) and have been successfully operating & producing
- We are producing a high quality, low sulphur and low paraffin oil
- We are confident that the modified Enhanced Oil Recovery (EOR) techniques we continue to implement are applicable, duplicable and economically viable for the Newcastle Sandstone formation being developed on the LAK Ranch property
- We have identified several hydrocarbon targets in our extensive \$1.1 Million USD 3-D seismic survey & continue to identify new potential targets through further in-depth seismic interpretation
- Derek management and its highly qualified Board of Directors are focused & determined on making the LAK Ranch property a domestic oil supplier to the United States of America

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**DEREK IS TRADING IN CANADA ON THE TSX VENTURE EXCHANGE WITH THE SYMBOL DRK.**



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**Recent Operation Observations:**

- Successfully tested an economically viable EOR to extract the viscous oil
- Derek's consultants Peterson Energy Management, Inc., SI International, Inc. & Pacific Geotechnical Associates, Inc. continue to assist in the development of the project
- 12 wells have been completed
- Fiber optic system has been invaluable in monitoring the reservoir temperature
- Derek has signed a new contract for oil sales which ties the price received to West Texas Intermediate (WTI)
- Steaming has commenced in a portion of the newly developed 12 well program
- Multiple deeper targets for future development have been identified in the 3D seismic interpretation by Derek's consultants

**Let's Recap DRK progress this past quarter (2007):**

- **February 21, 2007:** Derek signs drilling contract with Elenburg Exploration, Inc.
- **February 28, 2007:** Derek receives formal approval for drill permit application from Wyoming Oil and Gas Conservation Commission; Elenburg Exploration, Inc. mobilizing drilling equipment to site.
- **March 6, 2007:** Derek announces spudding of first well of the new 12 well program.
- **March 22, 2007:** Derek announces successful drilling of first four wells of new 12 well program.
- **April 24, 2007:** Derek announces that it has successfully finished drilling casing and cementing of all 12 wells of new 12 well program
- **May 15, 2007:** Derek announces recommencement of steam injection at LAK Ranch.

Please visit <http://www.derekoilandgas.com/s/NewsReleases.asp> to review Derek's archived and newly posted Press Releases or call 1-888-756-0066 for a Corporate Package.

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#### **What is Derek's short term agenda?**

- Increase overall production with production from the 12 well program
- Increase shareholder value
- Continue preparation of a long term economic & development plan

#### **What is Derek's long term goal?**

- Reach commercial production levels from LAK Ranch
- Ensure the best price is being received for oil produced
- Be a significant oil supplier to North America

#### **Derek's Blue Sky Potential:**

- Deeper horizons identified in the 3D seismic is a major part of Derek's future development program
- Once the Newcastle Formation is producing on a cash flow basis Derek plans on re-investing into an exploration program for similar type projects & locations

#### **Corporate Communications:**

Derek's Corporate Communications team continues to develop strong communications by effectively reviewing & executing corporate goals set by management.

- Ensuring up-to-date public awareness through continuous updates of corporate material
- Be cognizant of the importance of good shareholder relations
- Seek further Analyst coverage
- Corporate presentation & streamlined corporate package or link is always available for mailing or emailing to current & future shareholders
- Third Party Report written by Fundamental Research Corp. on Derek Oil & Gas Corporation available on their website at [www.researchfrc.com](http://www.researchfrc.com) or through **General and Subscription Inquiries from Fundamental Research Corp.:**  
Phone: 604-682-7050 Toll Free: 1-800-913-2377 Fax: 604-682-7001 or E-mail: [info@researchfrc.com](mailto:info@researchfrc.com)

Alternatively, please call Derek's office at **1-888-756-0066** or email [erica@derekoilandgas.com](mailto:erica@derekoilandgas.com) and we will mail/email you any requested corporate material ASAP.

#### **Upcoming:**

- Launch new corporate website
- Dissemination of follow up Analyst Coverage by Fundamental Research Corp.

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**Current Financial Status & Share Structure:**

- Cash on hand- CDN\$250,000.00
- Shares Issued- 45,126,550
- Warrants o/s- 4,637,500
- Options o/s- 3,830,080
- Fully Diluted- 53,594,050

**Derek is trading in Canada on the TSX Venture Exchange with the symbol DRK.**

Corporate progress over the last few months has positioned the LAK Ranch property closer to its ultimate goal of commercial production. Stay tuned for upcoming press releases on our website at [www.derekoilandgas.com](http://www.derekoilandgas.com) or in your mail/in boxes. Please note that our next Quarterly President's Report is planned for November 2007 and that Ms. Erica Bearss is always available to provide updates to our shareholders and potential investors via email: [erica@derekoilandgas.com](mailto:erica@derekoilandgas.com) or telephone toll free at 1-888-756-0066.

Derek management and its active Board of Director's are energized to observe the outcome of the new 12 well program and watch it hit its production increase goal for this summer!

On behalf of the board of directors and management team at Derek Oil & Gas Corporation we would like to thank all of our current & future shareholders for their continued confidence & support. We would also like to wish our Canadian supporters a happy Canada Day & our US support a happy 4<sup>th</sup> of July!

Barry C.J. Ehrl President & CEO

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