

24 April 2007

Company Announcements Platform  
Australian Stock Exchange  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

**By e-Lodgement**

Dear Sir/Madam

## **OPERATIONAL UPDATE**

### **SUGARLOAF PROJECT**

During the drilling of the Sugarloaf-1 well Aurora Oil & Gas reported to the ASX a 92 feet (28 metres) zone of possible gas pay, interpreted from wire-line logs and gas shows in Cretaceous age carbonates which were the secondary target in the well.

Since that report, further detailed analysis of the logs has been undertaken by the project Operator Texas Crude Energy Inc ("TCEI") who advises that this possible pay interval is comprised of 3 zones of porosity which are expected to be tested separately. Flow testing of the possible pay zones in the Sugarloaf well is intended to be undertaken as soon as practicable. The Operator is presently conducting engineering and reservoir studies to determine the best method of completing the zones for testing. Whatever method is chosen it is expected that fracture stimulation will be part of the procedure as is typical in such carbonates. The technical assessment, test design, permitting and securing of services is expected to take approximately 2-3 months.

As a result of the analysis of this possible pay, the Operator has extended the Joint Venture's land acquisition program within the Area of Mutual Interest ("AMI"), increasing the area over which the Joint Venture has rights to all depths, including the abovementioned carbonate zone, to approximately 19,500 acres to date.

Operations currently in progress at the well-site include the plugging off of the deeper section of the well and recovery of approximately 15,000' of 5 inch tubing (which will be available for re-use in the well if needed), as initial steps required in plugging back and testing the shallower zones.

Aurora has a 20% working interest in the Sugarloaf-1 well through its wholly-owned US subsidiary Sugarloaf Oil & Gas LP.

### **LONGHORN & IPANEMA PROJECTS**

As previously advised the initial objective of these joint ventures is directed at securing additional leasehold acreage within specific regions identified by TCEI as prospective.

At Ipanema total leased net acres in the Project area exceed 6,000 acres. At Longhorn approximately 15,000 acres has been leased or committed to lease to date. Acreage acquisition continues.

Ipanema is located adjacent to and east of the Sugarloaf Project AMI. Initially Aurora was interested in farming in to test the prospectivity of the Edwards Formation. TCEI had previously drilled a well in this area which encountered gas shows in the Edwards Formation and the shallower Cretaceous carbonate formation. Re-interpretation of the wire-line log data from this well has shown that the Cretaceous carbonate has characteristics that may be potentially productive

pay. As a result the Ipanema Project is considered prospective in both the Cretaceous carbonate and Edwards Formations.

The Longhorn Project is also located adjacent to and adjoining the Sugarloaf AMI and, on the basis of TCEI's analysis is also believed to be prospective in the Cretaceous carbonate. Aurora believes that the land package secured to date represents an excellent strategic holding relative to our overall targeted areas. Following land acquisition, wells are planned to test the Cretaceous carbonate play at both Ipanema and Longhorn.

At Ipanema Aurora can earn an 80% working interest by funding 100% of leasing costs and the cost of the first well through to production.

At Longhorn, Aurora is earning a 50% working interest by funding 100% of leasing costs and the cost of the first well through to production. The AMI for Longhorn is considerably larger than Ipanema and includes a priority target area of approximately 15-20,000 acres. It is estimated that total land costs at Longhorn, subject to the amount of land finally leased and the terms thereof, could be about US\$6 million.

## **WEST BLACK LAKE – DOLORES WELL UPDATE**

Since our last report on the 23<sup>rd</sup> March, the Operator has successfully cemented a 4.5 inch diameter liner in place, perforated the liner at a number of log interpreted potential pay zones and successfully completed a fracture stimulation job ("frac job").

The well is currently flowing back frac and other liquid lost during the drilling and completion process and although still cleaning up, is currently flowing at approximately 500,000 cubic feet of gas per day with 25 barrels of liquids per hour. The flow rate has continued to increase as the well cleans up, that is recovers the remaining frac liquids and lost drilling fluid. Once these liquids are recovered over the next few days gas production is expected to be water free. It is expected that the well would then soon after be shut in pending the completion of a short pipeline connecting the well with the nearby gas processing facilities and gas sales point at an adjacent major field.

Aurora has the opportunity to earn a 20.15% working interest in five wells through the funding of a 40.3 % interest in each well until individual well payback (on an accelerated basis). Following the completion of this five well drilling program, Aurora has the option to acquire a 10% working interest in the balance of the Project for the payment of US\$1 million and to participate on a 1:1 basis thereafter in respect of that interest (Aurora would maintain its 20.15% interest in the initial five wells).

## **NORTH BELRIDGE – NB26-2H WELL UPDATE**

Aurora has previously advised of a delay in conducting reservoir stimulation operations at the North Belridge 26-2H well due to issues relating to the reading and analysis of pre-frac seismic monitoring system data. The Operator has advised that these issues have now been resolved and all services are being rescheduled for a date expected to be later in May.

Yours sincerely

**AURORA OIL & GAS LIMITED**

**Alex Neuling**  
**COMPANY SECRETARY**

***This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Aurora that its expectations, estimates and forecast outcomes will be achieved.***

Information contained in this report concerning the background to the Sugarloaf, West Black Lake, Ipanema and Longhorn Projects was compiled from information provided by Texas Crude Energy Inc and reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had more than 35 years experience in the practice of geology and more than 5 years experience in petroleum geology. Mr Allchurch has consented to the inclusion in this report of the matters based on this information in the form and context in which it appears.