

24<sup>th</sup> September 2008

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

**By e-Lodgement**

Dear Sir/Madam,

### **UPDATE ON OPERATIONS AT KOWALIK #1H**

Aurora Oil & Gas (“Aurora”) is pleased to provide the market with an update on operations at the Kowalik #1H well within the Sugarloaf AMI, which is part of the Sugarkane Gas and Condensate Field.

#### **Kowalik #1H**

Aurora has been advised by the operator, Texas Crude Energy Inc (“TCEI”), that at 06:00hrs on the 23/09/08 (US CST) the well had reached a measured depth of 14,385 ft, which equates to approximately 2,500 ft of the planned 6,000 ft of horizontal section within the Austin Chalk.

The well has continued to produce gas whilst drilling, which has led to sustained flaring activity. In addition, when routine operations such as connections reduce the downhole pressure, larger flares have been observed on surface, indicating a response to drawdown. Elevated gas readings of approximately 1500 units have been consistently measured during the drilling of this portion of the horizontal section.

Whilst encouraging the commercial significance of these gas shows and flares will not be known until the well has been flow tested.

The horizontal section is targeting the upper pay interval that has been reported as successfully producing gas and condensate in three wells in the adjacent acreage.

The Joint Venture is working towards this being the first in a continuous sequence of 4 wells and preparations are presently underway for the next well location.

Aurora has a 20% working interest in the Sugarloaf AMI. Other ASX listed participants in the Sugarloaf JV, and their respective working interests are:

Eureka Energy Limited	12.5%
Adelphi Energy Limited	20%

Yours sincerely  
**AURORA OIL & GAS LIMITED**

Jon Stewart  
**Executive Chairman**

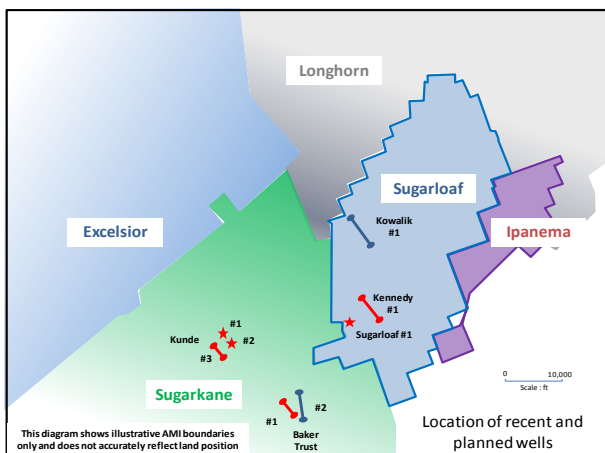
***This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Aurora that its expectations, estimates and forecast outcomes will be achieved.***

## About the Sugarkane Gas and Condensate Field

Aurora has established a substantial landholding position within the recently discovered Sugarkane Gas and Condensate Field, Texas, providing the Company with the opportunity to benefit from a potential multi trillion cubic feet equivalent (Tcfe) gas and condensate resource.

The Sugarkane Field, discovered in 2006, is a unique Austin Chalk formation that lies some 20km south of the main Texas Austin Chalk trend. In the early stages of appraisal the field is exhibiting many characteristics that are superior to the classic Austin Chalk fields such as the nearby Giddings and Pearsall fields that have produced over 5 Tcf of gas and 600 mmbbls oil. Notably, the Sugarkane Field is over pressured, has a higher porosity and a higher condensate to gas ratio than the classic Austin Chalk fields.

The Sugarkane Field covers an identified area exceeding 200,000 acres with potential gross reserves estimated at greater than 3 Tcf of gas and approximately 700 million barrels of condensate making it potentially one of the largest undeveloped gas and condensate fields within North America.



**Figure 1: Map of Sugarkane Field showing AMI's**

Aurora holds interests in three separate project (AMI) areas within the Sugarkane Field with a combined gross land position of 47,144 acres (17,983 acres net to Aurora before royalty interests):

- Sugarloaf Area (20%)
- Longhorn Area (50%)
- Ipanema Area (80%)

Eight exploration and appraisal wells have been drilled into the targeted Austin Chalk formation since discovery. Three of these wells are within Aurora's area of interest and five wells have been drilled by a major E&P company adjacent to Aurora's area of interest.

Aurora participated in the Sugarloaf #1 well that was vertically drilled through the Austin Chalk and from which hydrocarbons have been produced to surface. This well was designed to target a deeper formation.

The Kennedy #1H well was drilled horizontally in the deeper chalk horizon. Analysis of the well results indicates that it did not encounter any natural fractures, an important factor on individual well productivity, but did encounter hydrocarbon charged matrix chalk along its length. The Operator is currently installing a production facility and the well will be tied to a nearby gas transmission line.

Of the other five wells drilled into the Sugarkane Field, three are horizontal which are now both producing at very encouraging rates and two are vertical, including the discovery well which has been on production since September 2006.

Aurora and the project operator of all three AMI's, Texas Crude Energy Inc, have commenced additional appraisal and development activities in 2008 focused on commercialising their significant resource potential. Additional wells are expected to be drilled in the Sugarkane Field both within and outside Aurora's AMI's in this period.

*(Data referencing activities in adjacent acreage has been sourced from publicly available information)*

Technical information contained in this report in relation to the Sugarloaf project and Sugarkane field was compiled by Aurora from information provided by the project operator and other publicly available sources. It has been reviewed by I L Lusted, BSc (Hons), SPE, a Director of Aurora who has had more than 15 years experience in the practice of petroleum engineering. Mr Lusted consents to the inclusion in this report of the information in the form and context in which it appears.