

7<sup>th</sup> January 2010

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

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## **KOWALIK #1H FRACTURE STIMULATION UPDATE & NEW WELL PREPARATIONS**

### **Kowalik #1H Fracture Stimulation Program**

Aurora Oil & Gas (“Aurora”) provides the market with an update on the fracture stimulation operations at the Kowalik #1H well. As previously reported the pumping operations commenced on 28<sup>th</sup> December 2009 (US CST) with the first stage comprising of four phases targeting the horizontal 3,800 ft of slotted liner.

After 22 hours of continuous pumping and during the fourth phase of the stimulation program an anomalous pressure drop was noted and operations were suspended to allow further investigation. At this point the first three phases had been successfully completed with over 80% of the planned fluids for this stage having been pumped with encouraging real time indicators of the stimulation.

Following the investigation the Operator has elected to run a tie back string of 5½ casing from the top of the liner to surface. Thereafter an isolation plug, which has been set in the liner as part of the investigation, will be removed and the well flowed to surface.

The fracture equipment has demobilised and a rig is now moving on to location to carry out the abovementioned work. It is presently estimated that the Kowalik well will be flowed to production in 1-2 weeks.

### **First New Well Under Farmin Agreement**

Preparations and planning is now underway for the first farmin well at Sugarloaf, the Easley #1H well, which will be located approximately 2km to the north east of the Weston #1H well. As previously reported, this well is expected to be spudded during the month of January 2010.

Yours sincerely

**AURORA OIL & GAS LIMITED**

Jon Stewart  
**Executive Chairman**

## About the Sugarkane Gas and Condensate Field

Aurora has established a substantial landholding position within the 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 and Eagle Ford Shale reservoir that lies some 20km south of the main Texas Austin Chalk trend and central within the emerging Eagle Ford Shale play. The Sugarkane Field is over pressured, has a high porosity and a high condensate to gas ratio contributing to its commercial value.

The Sugarkane Field covers an identified area exceeding 200,000 acres. Aurora has been allocated a total of 391 Bcf and 72 mmbbls of certified 2C contingent resources by Netherland, Sewell and Associates as a net position as at 1<sup>st</sup> September 2009.

Prior to the recent farmout Aurora holds interests in three separate project (AMI) areas within the Sugarkane Field with a combined gross land position of 51,791 acres (20,285 acres net to Aurora):

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

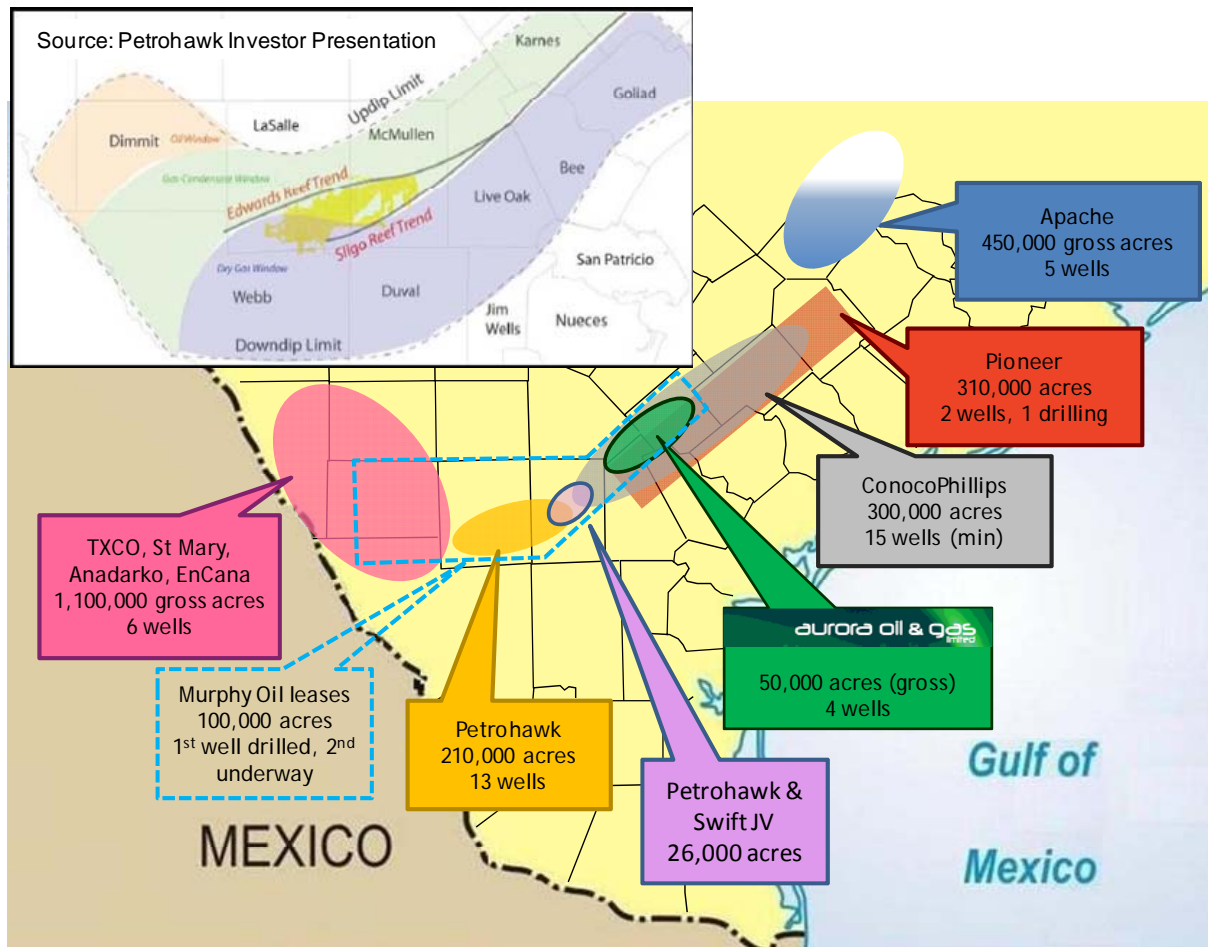
Fifteen exploration and appraisal wells have now been drilled into the Sugarkane reservoir since discovery. Four of these wells are within Aurora's area of interest and eleven wells have been drilled by Conoco Phillips in an AMI adjacent to Aurora's area of interest.

## Regional Activity

The map below illustrates the disclosed positions of a number of major US oil and gas companies who have made announcements regarding their participation in the Eagle Ford shale. ConocoPhillips (NYSE:COP) has stated they have about 300,000 acres that includes significant holdings adjacent to our interests to both the south east and north. They are bookended by Petrohawk Energy Corporation (NYSE:HK) with 225,000 acres to the southeast and Apache Corporation (NYSE:APA) to the north. Pioneer Natural Resources (NYSE:PXD) has acreage to the south and east, Murphy Oil Corporation (NYSE:MUR) has acreage to the north and south, while Anadarko Petroleum Corporation (NYSE:APA) and St. Mary Land & Exploration Company (NYSE:SM) are developing some 345,000 and 225,000 acres respectively to the west.

Petrohawk provides the most public information. Based on their presentation dated 4/11/09, they have sixteen operated wells on production with an average initial rate of 7.8 mmcf/d and 143 bpd condensate (8.7 mmcf/d or 10.0 mmcf/d using a 6:1 or 15:1 ratio for condensate respectively). They have continued to acquire land on trend towards the Sugarkane field in a venture with Swift Energy.

Recent announcements have been made relating to nearby Eagle Ford Shale wells which are located just outside the Sugarkane Field. Pioneer released the results of the Sinor #5 well in Live Oak County which is some 18 miles southwest of the Sugarloaf #1 well (Source: Press release Oct 26 2009). The well has reported initial rates of 8.3 mmscf/d of gas and 500 bpd of condensate from a 2,600 ft horizontal section. ConocoPhillips also provided the results of their Bordovsky #1H well as having initial production of 4 mmscf/d of gas and 1500 bpd of condensate. This well is 18 miles to the northeast of the Sugarloaf #1 well and has exhibited a high condensate ratio which is comparable to that observed in Sugarloaf AMI production to date (Source: Q3 Earnings conference call Oct 28 2009).



To date we estimate that there have been over 70 wells reportedly drilled within the regional Eagle Ford play and an analysis of recent announcements indicate that this figure will exceed 100 by the end of the calendar year. Petrohawk suggests *“the Eagle Ford shale in this particular area is one of the highest quality shale reservoirs discovered to date in the United States.”* The results that we have reviewed to date and the information provided regarding initial flow rates, production decline curve, condensate levels, porosity, organic content, estimated in place resource per unit etc are not only excellent reference points for Sugarkane, but also give us confidence in terms of the relative quality of our acreage.

*(Data referencing activities in adjacent acreage has been sourced from publically 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 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.