

15<sup>th</sup> January 2010

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

By e-Lodgement

## **SUGARLOAF OPERATIONS UPDATE**

Aurora Oil & Gas (“Aurora”) provides the market with an update on operations within the Sugarloaf AMI.

### **Kowalik #1H - Fracture stimulation program**

Following the decision to tie back the liner at Kowalik #1H, having observed an anomalous pressure drop at the end of the main fracture stimulation stage, a rig was mobilized to the wellsite to carry out the necessary work. During one of the final stages of this work, when cement had been circulated into the annulus of the tie back string, a section of slim drill pipe being used as a running string for the tie back string parted some 700ft below surface. The initial fishing activities have so far recovered tubing down to a depth of 8,150ft but in light of the other activity commencing within the Sugarloaf AMI, it has been decided to suspend operations on Kowalik #1H so that further evaluation and planning can take place before re-entering the well. The workover rig is presently being demobilised from the location. This will lead to a further delay before Kowalik #1H can be prepared for flow testing following the fracture stimulation carried out on the 28th December 2009.

### **Easley #1 H – spud date for new horizontal well**

Aurora has been advised by the Operator, Texas Crude Energy Inc (“TCEI”), that the Patterson #150 drilling rig commenced mobilization to the Easley #1H rig site on Thursday 14<sup>th</sup> January. It is expected that the well will be spudded early in the week beginning 18<sup>th</sup> January 2010. Easley #1H will be the first new well to be drilled under the farmin agreement with Hilcorp Energy within the Sugarloaf AMI.

### **Kennedy #1H – scheduled commencement of fracture stimulation program**

Aurora has been advised by TCEI, that the Kennedy #1H fracture stimulation is scheduled to commence on Monday 18<sup>th</sup> January. As previously advised the 4,000ft of horizontal liner will be fraced in 14 separate stages with an isolation plug set between each stage. The operation is expected to take 7 – 10 days after which the isolating plugs will be drilled out and the well cleaned up and then flowed to sales.

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.

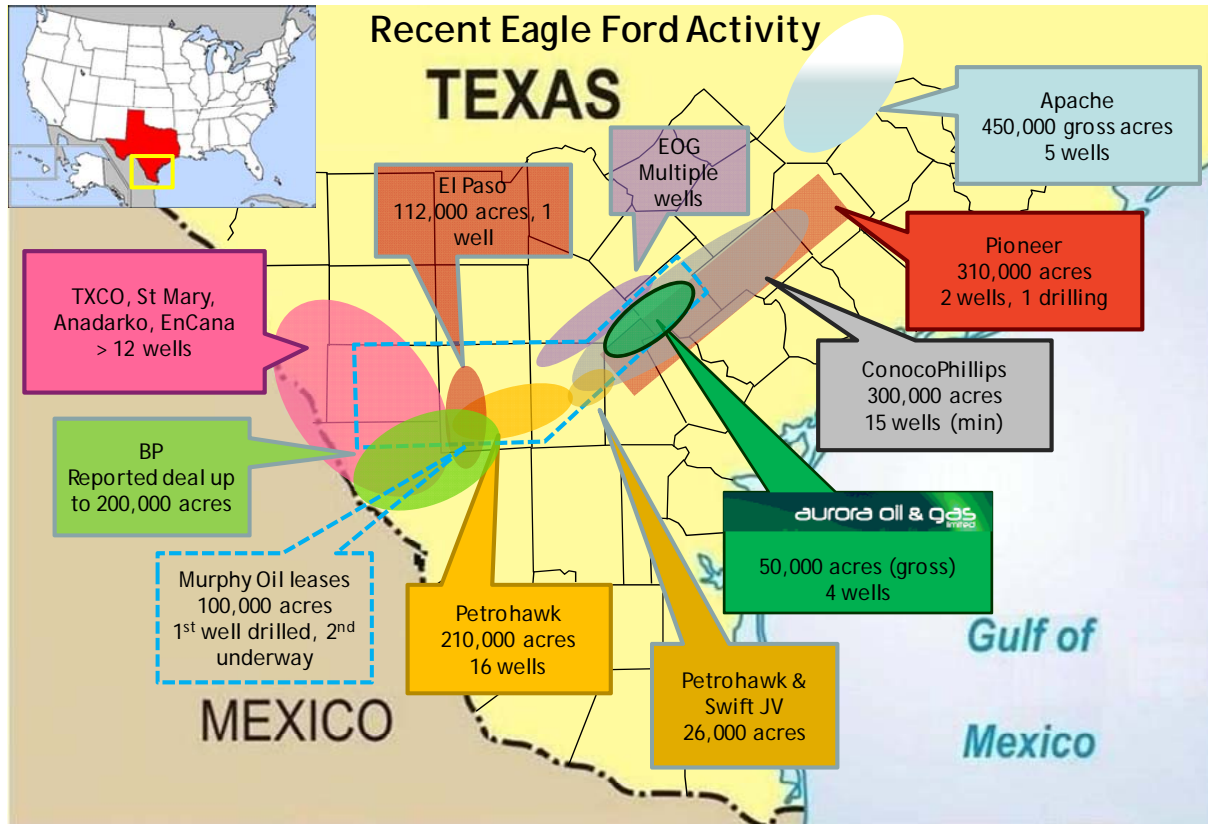
## Regional Activity

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 AML 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.