

25 July 2005

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

By e-Lodgement

Dear Sir/Madam

RE: UPDATE ON OPERATIONS, FLOUR BLUFF GAS PROJECT, TEXAS

EFB E-10 DRILLING UPDATE, EAST FLOUR BLUFF GAS FIELD, TEXAS

Texas Crude Energy Inc, the Operator of the Flour Bluff Gas Project, Gulf Coast, Corpus Christi, Texas, has advised that following the passing of Hurricane Emily, operations on the EFB E-10 well are back to normal. From the 1500 hour well report of Sunday 24 July (Texas time) the well was at 3,090 feet (942 metres) measured depth and directionally drilling ahead in 8 3/4" hole.

EFB D-24 COMPLETION PROGRAM, EAST FLOUR BLUFF GAS FIELD, TEXAS

The Operator has further advised that following the passing of Hurricane Emily, completion operations resumed on site Friday 22 July.

BG WEBB#1 COMPLETION-TESTING

The Operator of the Flour Bluff Gas Project, Gulf Coast, Corpus Christi, Texas, has also advised that the BG Webb well will be taken off the sales gas line mid week to allow the sand reservoir to be fracture stimulated with the aim of further increasing the flow rate from the current stabilised 1.668 million cubic feet of gas plus 8.2 barrels of condensate per day production.

The Operator carried out three successful test reservoir stimulations on three old wells in the Flour Bluff Field two years ago, increasing the gas production rate from 1.3 MMCFD to 7 MMCFD (million cubic feet per day), thereby demonstrating the effectiveness of modern stimulation methods to be applied in the redevelopment of the field. The wells continue to produce 2 years after stimulation.

Flour Bluff Project - Background

The Flour Bluff Gas Field is an old South Texas giant gas field, which has produced about one trillion cubic feet of gas with associated condensate since it was discovered in 1934. Production has been predominantly from shallow reservoirs between 1,980 metres and 2,600 metres which are now largely depleted.

The Flour Bluff Development Project aims to develop two sets of known but virtually undeveloped deeper reservoirs between 2,750 metres and 3,600 metres. The Flour Bluff field remains the only South Texas giant field which has not been deepened and redeveloped in this way.

The field is a relatively simple structure, divided by faulting into the Flour Bluff field to the west of the fault and the East Flour Bluff field to the east. The major reserve potential (104 BCF) is in the Flour Bluff field, with a further 67 BCF in the East Flour Bluff field.

The initial development program consists of three key wells, each designed to test the extent of gas reserves in critical locations in the Flour Bluff field and the East Flour Bluff field. Two of these wells have been drilled. Each successful well will be completed as a production well.

The first well in the Flour Bluff field, BG Webb #1, was drilled to 4,115 metres in March-April 2005. In May 2005 the well was successfully tested and completed for commercial production from the K-15 sand. The field gas-gathering pipeline has been connected to the well and production commenced on 24 June 2005. Fracture stimulation of the reservoir, with the aim of more than doubling gas production rate, is anticipated to take place after about 100 days of production.

The EFB D-24 well, the second well in the program, is located in the East Flour Bluff gas field. EFB D-24 has been drilled and tested a four-way dip closure with 3P (Proved plus Probable plus Possible) recoverable reserves of 17.5 BCF (billion cubic feet) of gas and additional potential for a further 14 BCF (total 31.5 BCF). The well has successfully defined gas pay zones in the primary target and is presently being prepared for completion for commercial gas production from several of these zones.

The third well in the program, EFB E-10 is designed to test the shallow "massives" production sands for commercial gas in areas of the structure where the operator believes that significant gas reserves remain to be extracted using modern directional drilling. EFB E-10 is expected to be a 7,327 feet (2,234 metres) deep well in measured depth terms, 6,700 feet (2,042 meters) in true vertical depth terms.

Ownership

Aurora Oil and Gas Limited through its wholly owned U.S. subsidiary Corpus Christi Gas LP, holds the Project working interests set out in the following table. Aurora's Net Revenue Interests are 70% of the working interests.

Participants working interests through local subsidiaries where applicable are:

	East Flour Bluff	Flour Bluff
Aurora Oil and Gas Limited	16.666%	12.5%
Sun Resources NL	16.666%	12.5%
Victoria Petroleum Limited	16.666%	12.5%
USA Private interests (including Operator)	50.0%	62.5%

Yours sincerely
AURORA OIL & GAS

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 was compiled from information provided by Texas Crude Energy Inc and reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had 35 years experience in the practice of geology and more than 5 years experience in petroleum geology.