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

By e-Lodgement

Dear Sir/Madam

DRILLING REPORTS, FLOUR BLUFF GAS PROJECT, TEXAS, USA.

EFB D-24 Well.

The well operator, Texas Crude Energy Inc reported in its daily report at 0600 hours Texas time on the 16 May, that fishing operations were continuing to recover the 9 5/8 inch casing string which parted at about 457 metres from surface during running operations. Well depth is 3,133.3 metres (measured depth).

After casing and cementing operations, drilling will proceed towards the top of the primary target zone in the "J" sands at about 3,210 metres (measured depth) which is about 80 metres below the casing.

BG Webb-1 Well – Testing and Completion.

The operator has reported that it has decided to perforate and test three further intervals in the deep K-20 sands. These intervals were perforated with depth details set out as follows: 6.7 metres between 3,594.9 and 3,601.6 metres; 6.1 metres between 3,588.8 and 3,594.9 metres; 6.1 metres between 3,543.3 and 3,553.4 metres. The tubing was swabbed down to 1,067 metres recovering 25 barrels of gas cut water. A period of flow and further test operations are anticipated to be required before a definitive result from these three perforated zones is obtained

The next zone to be tested will be the K-15 sand between 3,125 metres and 3,138 metres, which flowed 29 cubic feet of gas into a sample chamber during wire-line sampling operations. Testing of this zone is likely to take place in three or four days.

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 (227 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. If successful each of the wells would be completed as production wells.

The first well BG Webb-1, was drilled to 4,115 metres in the Flour Bluff field and was cased and suspended on the 7 April to await a work-over rig to conduct flow testing and reservoir stimulation operations and to complete the well for production if warranted. These testing operations are now in progress.

The EFB D-24 well, the second well in the program, is located in the East Flour Bluff gas field and is designed to test four main "J" sands reservoirs and potential reservoirs as the primary target and 3 potential reservoirs in the deeper "K" sands as a secondary target.

EFB D-24 is a relatively low risk well which will test 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). Four of the reservoirs in this closure have already produced gas in old wells, but these wells were lost by engineering failure soon after production started. None of the old wells were fracture stimulated and it is anticipated that most of the 14 BCF of additional potential reserves, if they are proved to exist, will come from fracture stimulation of the known productive reservoirs.

Drilling Program for EFB D-24

The East Flour Bluff gas field is located east of the city of Corpus Christi, under the shallow lagoon known as Laguna Madre. The EFB D-24 well will be drilled from an existing production and drilling peninsular built out into the lagoon. The well will start vertical and from 374 metres will be directionally drilled out under the lagoon, reaching a maximum angle of 32 degrees until 2,804 metres TVD (total vertical depth), where it will be brought back to vertical to drill through the target reservoirs. The reservoirs are drilled vertical so that subsequent fracture stimulation has maximum effect. The total depth of the well is programmed to be 3,414 metres TVD (3,688 metres measured depth).

Expected depth to the top of the first target reservoir is about 3,210 metres measured depth and is anticipated to be reached in 34 days from spud. The well is expected to reach total depth in 44 days. The well is now 34 days from spud and is about five days behind schedule.

Ownership

Aurora Oil and Gas Limited (formerly Tony Barlow Australia Limited), through its wholly owned U.S. subsidiary Corpus Christi Gas LP, has a 12.5% Working Interest "WI" (8.75% Net Revenue Interest "NRI") in the Flour Bluff Gas Development Project, Gulf Coast, Texas, USA including the BG Webb-1 well.

Participants working interests through local subsidiaries where applicable are:

Aurora Oil and Gas Limited	12.5%
Sun Resources NL	12.5%
Victoria Petroleum Limited	12.5%
Texas Crude Energy Inc (Operator)	25 %
USA Private interests	37.5%

Yours sincerely
AURORA OIL & GAS

Alex Neuling
COMPANY SECRETARY

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.