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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 (East Flour Bluff Gas Field)

The well operator, Texas Crude Energy Inc reported in its daily report, at 1430 hours on the 24 May Texas time that the well was drilling ahead at 3,238 metres (measured depth) in 8 ½ inch hole in grey shales.

The strong gas show with associated well kick reported yesterday occurred over 23 metres, between 3,170 metres and 3,193 metres in pale grey partly consolidated sands. The well kick (flow of drilling fluid at the surface due to the entry of gas from the formation drilled) was over come by increasing mud weight from 12.2 to 14.7ppg and circulating out the gas. Gas in the drilling fluid recorded at the surface while circulating the gas out, reached a maximum of 51%. Maximum gas recorded during drilling after circulating out the kick was 9.5%. There was also a marked drilling break (rapid increase in drilling penetration rate) associated with the show suggesting good formation porosity. It is likely that this show marks the top of the primary "J" sands target.

A second gas show occurred in sands between 3,219 metres and 3,225 metres, with maximum gas of 3.4% at 3,222 metres.

The significance of the gas shows will not be known until wire-line logs are run after the well reaches total depth, presently programmed to be 3,688 metres measured depth.

BG Webb-1 Well – Testing and Completion (Flour Bluff Gas Field).

The operator reported that flow testing continued throughout the day, including a four point (four different choke sizes) flow test which was nearing completion at 0600 hours Texas time on the 25 May. Maximum flow rate recorded during the test was 2.1 million cubic feet of gas per day with 34.4 barrels of condensate per day and 2.4 barrels of water per day, through a 10/64 inch choke, at a flowing pressure of 3,446 psi with 600 psi back pressure on the separator.

On completion of the flow test the well will be shut in to record the pressure build-up over several days. The test data will then be analysed to determine reservoir parameters and to determine the initial production rate.

The well will be placed on production as soon as the field gas gathering pipeline is available, which is anticipated to be in about four weeks.

It is likely that after a period of production of up to 100 days, that the reservoir will be fracture stimulated to increase gas flow rate. Three old Flour Bluff wells were fracture stimulated by the operator in 2002 and successfully increased gas flow by an average of two times the pre-stimulation flow rate.

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. 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 41 days from spud and is about eight days behind schedule.

Ownership

Aurora Oil and Gas Limited, through its wholly owned U.S. subsidiary Corpus Christi Gas LP, has Working Interests in the Flour Bluff Gas Development Project, Gulf Coast, Texas, USA as shown below. The Net Revenue Interests held are 70% of the Working Interests shown.

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

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.