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

By e-Lodgement

Dolores-1 Progress Report - West Black Lake Gas Project

Since our last report on the 26 July, a completion rig ran 2 3/8 inch diameter tubing into the well and latched it into the packer at 13,320 feet. Swabbing operations over one day recovered drilling fluid and gas and the rig was released. Gas and most of the drilling fluid was recovered but no gas flow rates were measured as flows were not stable.

The well was shut in on the 29 July to await a coiled tubing unit to carry out routine acidisation operations. Acid is commonly applied to limestone reservoirs to dissolve portion of the rock with the objective of improving gas flow into the well bore. If gas flow rate is not sufficient after acid treatment, the reservoir will be fracture stimulated. Fracture stimulation is the normal form of completion in these carbonate reservoirs

At 0800 hours on 1 August 2006 the well was flowing back spent acid and load water after a coiled tubing unit acidised the reservoir section earlier the same day.

As reported to the ASX on the 17 July, gas shows and wire-line logs indicate 63 feet of interpreted gas pay, with similar log character to the pay zone in the discovery well. The well was halted at 13,737 feet in log interpreted pay about 180 feet above the gas-water contact in the discovery well to minimize the chance of fracture stimulation penetrating down to water and reducing production. Wire-line logs show the geology and interpreted gas pay in Dolores-1 correlate closely with the discovery well.

The operator of the well is private USA Company, Texas Crude Energy Inc. There are no other listed participants in the development project.

Background

Dolores-1 is the first of 5 initial development wells planned on the West Black Lake gas discovery, which is located onshore Texas, USA. Dolores-1 is positioned approximately 4,000 feet north-east of the discovery well, which intersected a gas-bearing limestone reservoir interval of about 300 feet at a depth of approximately 13,670 feet. The Dolores-1 total depth of 13,737 feet is about 180 feet above the known gas-water contact in the discovery well.

Aurora will earn a 20.15% interest in the initial five wells (15.1125% Net Revenue Interest) through the funding of a 40.3 % interest in each well until individual well payback. The Operator's estimate of potential recoverable reserves from the initial five development wells is approximately 30 BCF.

Following the completion of the initial five well development drilling program, Aurora has the option to acquire a 10% working interest in the balance of the approximately 600 BCF potential project for the payment of US\$1 million and to participate on a 1:1 basis thereafter in respect of that interest. (Aurora would maintain its 20.15% interest in the initial five wells).

Aurora Executive Chairman, Jon Stewart said: “We are excited about the potential for West Black Lake to be a significant and long term producing asset of the Company. The remainder of 2006 is set to be a very active year for Aurora with two development wells now underway, one here at West Black Lake (gas) and the other at North Belridge (oil) in California. Further development wells are planned for both projects as well as at Flour Bluff. A rig to drill our major exploration well at Sugarloaf is expected to be on site in mid August.”

West Black Lake Gas Project

West Black Lake is a new gas discovery in the Cretaceous age back reef limestone trend in the on-shore Gulf Coast region of the USA. West Black Lake was defined using proprietary seismic inversion technology, which had been used to locate a number of successful development wells on an adjacent 500 BCF gas field. The proprietary seismic technology defines porous zones (porosity and thickness of porous zone) within the normally tight Cretaceous limestone formation. The seismic porosity has been calibrated against core and well log measurements. Recoverable reserves per well, estimated using the 3-D seismic porosity and thickness measurement at the adjacent gas field, have an 88% correlation to actual well ultimate production. The Operator, Texas Crude Energy Inc. (TCEI), expects the same level of predictability in the West Black Lake project area. The porous zone intersected in the West Black Lake discovery well correlated closely with the seismic predicted porosity and thickness. The seismic technology is expected to provide a high degree of confidence in locating development wells and in predicting recoverable reserves and initial flow rate for each well.

TCEI has used the same 3-D survey to identify the locations for the initial five West Black Lake wells. The remainder of the West Black Lake development area is defined by 2-D data, which will be replaced with 3-D data before expanding drilling into that area.

In common with many other limestone hosted gas fields, gas from this play has small amounts of deleterious gases (mainly carbon dioxide) but these are readily removed using established technology at low cost (35c/MCF contract removal cost in the West Black Lake area).

A short pipeline will be required to connect West Black Lake production to a nearby facility to process the gas. Additionally a new 3D seismic acquisition survey is being planned to define further reserves and drilling locations.

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 more than 35 years experience in the practice of geology and more than 5 years experience in petroleum geology. Mr Allchurch has consented to the inclusion in this report of the matters based on this information in the form and context in which it appears.