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Company Announcements Platform
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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 16 August, at which time the well was shut in waiting on a fracture stimulation job ("frac job"), we advise that the frac job was successfully completed and the well has now flowed back most of the frac liquids and although still cleaning up, is approaching a stabilised gas flow, currently at 1.84 million cubic feet of gas per day with 5-10 barrels of frac liquids per hour. When the well has cleaned up, that is has recovered all remaining frac liquids and lost drilling fluid, gas production is expected to be water free.

It is expected that the well will shortly be shut in pending the completion of a short pipeline connecting the well with the nearby gas processing facilities and gas sales point at an adjacent major field.

The production rate achieved is considered reasonable for this type of limestone reservoir albeit below forecast. A conservative approach has been applied to this well to ensure that the frac job did not reach the known gas-water contact, as was the case with the discovery well. A frac design was used which allowed for the maximum downward reach of the fracture to be 13,828', which is still about 103' above the top of the gas-water contact.

Future development wells are expected to produce in the range 1.5 – 5 mcfpd depending on their location and specific reservoir characteristics. Following the planned acquisition of 3D seismic over the full prospect area, it is possible that horizontal wells will be used in field development to further increase productivity.

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 pleased that the Dolores-1 well has been successfully completed and will soon be generating additional gas sales revenue. Equally as important is the confirmation of the potential for West Black Lake to be a significant and long term producing asset of the Company. We expect to commence drilling another development well at West Black Lake before the end of November.

The remainder of 2006 is set to be a very active period for Aurora with our development well at North Belridge (oil) in California to be fracture stimulated at the end of the month for production. Further development wells are planned for this year at North Belridge and Flour Bluff and the drilling of our major exploration well at Sugarloaf has commenced."

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.

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