

NEWCOMER'S OIL & GAS STAKE IN TEXAS LOOKS PROMISING

Sydney - Tuesday - July 5: (RWE Aust Business News)

OVERVIEW *****

The word is out that Aurora Oil and Gas (AUT) has a lot going for it which has yet to come to the surface.

This is an oil and gas explorer which has appeared from nowhere, something like those volcanic islands that every now and then pop out of depths of the ocean.

It seems to be a good analogy.

Earlier this year the company was in the rag trade under the guise of Tony Barlow Australia Ltd.

In a restructuring, Barlow's capital was consolidated on the basis of one new share for every five issued fully paid shares.

Last December Aurora Oil & Gas announced it had entered into an agreement to acquire a 12.5 per cent working interest (8.75 per cent net revenue interest) in a suite of gas properties in the Flour Bluff and Flour Bluff East Fields in Nueces County Texas in the United States.

The Flour Bluff Project is a development project as there is existing production from the project area in which the company now shares and an active drilling program is under way.

Another local explorer, Victoria Petroleum NL is now closely related to Aurora.

It has acquired an additional 4.1667 per cent working interest

(2.9167 per cent net revenue interest) in the East Flour Bluff Gas Field for \$US513,333, thereby increasing its total working interest to 16.667 per cent and net revenue interest to 11.667 per cent.

East Flour Bluff Gas Field has independently estimated proved, probable and possible (3P) recoverable gas reserves of 23.8 billion cubic feet of gas (BCF).

The operator, Texas Crude Energy Inc (TCEI), estimates an additional potential of 44 BCF, giving a total of 3P plus additional reserve potential of 68 BCF.

SHARE PRICE MOVEMENTS *****

Shares of Aurora yesterday drifted down 0.5c to 25.5c. Rolling high has been 45.5c and low 6c. The company has 88.7 million shares on issue with a market cap of \$23 million.

Last week Aurora reported the beginning of sales production from the BG Webb #1 well on the West Flour Bluff Gas Field.

TCEI has reported that the BG Webb #1 gas well was opened to the sales gas line of the Joint Venture's gas gathering system for the Flour Bluff Gas Project on June 24.

The second well of the current three well program is awaiting completion for production and this is expected to occur shortly.

The BG Webb #1 well is currently flowing at an initial rate of 1.7 million cubic feet per day through a 10/64" choke.

After flowing for up to a 100-day period the well will be temporarily taken offline to fracture stimulate production and then placed back on line.

In a previous report the operator provided the following preliminary comments on the reservoirs drilled:

- * Six separate reservoirs have log indicated gas pay.
- * Reservoir pressure measurements have confirmed that gas reserves in three of the reservoirs (J64, J77 and J99) are in line with those estimated by the independent expert prior to drilling.
- * One reservoir (J90) has greater reserves than estimated prior to drilling.
- * Two reservoirs (J55 and K9) which were not predicted to have reserves were found to have 7.31 metres and 3.04 metres of net gas pay respectively at high reservoir pressure (7,199 psi). These pay zones will add to reserves.

BACKGROUND

Aurora became a fully fledged oil and gas explorer and producer after shareholders passed a number of resolutions on April 4.

The company disposed of its then remaining interest in the Tony Barlow suit hire business leaving it as an oil and gas exploration and production company only.

Following approval of a change in activities as referred to above, Aurora was readmitted to official quotation on April 28.

Aurora Oil & Gas completed a placement of 12.5 million new shares at a price of 32c each during April, raising \$4 million to be applied to development activities at its US properties and in pursuing new international oil and gas opportunities.

The Flour Bluff Gas Field has had a fascinating history.

It 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.