

Aussie juniors target untouched sweet spot

The Ion Stewart - chaired Aurora Oil And Gas Ltd has taken its first step aside the Flour Bluff gas field development and will team up with ARC Energy Ltd spin-off Adelphi Energy Ltd to each acquire a 12.5% interest in the Sugarloaf prospect with operator Texas Crude Energy Inc.

Aurora described Sugarloaf as a world class exploration prospect that could host several trillion cubic feet of gas.

One of the largest undrilled structures remaining in the United States, Sugarloaf was described as "...a robust four-way dip closure covering about 80 square kilometres - about the same areal size as the large Moomba gas field in onshore South Australia - at 5,200 metres depth."

Stewart said the primary target reservoirs were thick sands of the Cretaceous age Hosston Formation which are major producers elsewhere in the Gulf Coast region.

There have been many successful deep gas wells in the Gulf Coast region, where initial flow rates of up to 80 million cubic feet per day (average daily rate over one month) have been obtained from wells to comparable depths.

"By any standard in the prolific Gulf Coast gas hydrocarbon production region, Sugarloaf is a major undrilled structure and represents an outstanding opportunity for Aurora to participate in a potentially company-making prospect in onshore USA, where gas prices are at historic highs."

Most similar sized targets were discovered in the 1950s and 1960s and contained total reserves of some five trillion cubic feet of gas and 100 million barrels of oil, however it was only until new technologies were brought to bear on old seismic that the the Sugarloaf anticline.

Aurora and Adelphi will earn their respective 12.5% working interest (8.9% net revenue interest) by each funding 12.5% of leasing costs and 15.625% of the cost of the first well to production.

The first well has a proposed total depth of 6,400m (21,000 feet) and is estimated to cost US\$5.8 million for a dry hole with an additional US\$2 million to complete the well for production.

Long lead time items and a rig are being sought and the joint venture is hopeful of spudding as early as November.

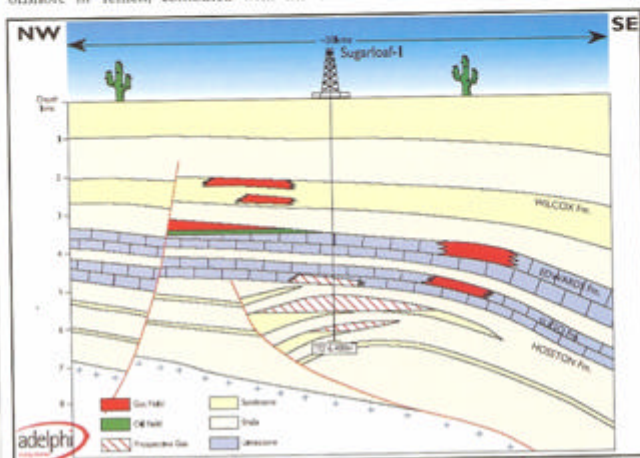
The 110-day drilling campaign will be operated by Texas Crude which identified the Sugarloaf anticline.

Mean potential reserves at Sugarloaf are estimated to be some 800 bcf of gas, however, given the large size of the prospect area, there is upside potential of several trillion cubic feet if geological factors such as porosity, net sandstone and

permeability combine favourably.

Adelphi executive chairman Alex Forke said the company's recent award of two highly prospective exploration blocks onshore in Yemen, combined with the

potential of Sugarloaf and the 60-100mmbbl Magnolia prospect in the Timor Sea should provide plenty of upside for shareholders.



◀ Sugarloaf has been described as a sweet target.