

Wednesday 5 June 2013

Lower Woodbine Oil Play Developments

Lower Woodbine Oil Play

- In the past few weeks 4 oil companies have cumulatively announced results of 10 horizontal wells each drilled into the same horizon as Sun's Seale #1H and T.Keeling #1H horizontal wells being the Woodbine "C" horizon.
- These 10 horizontal wells into the Woodbine "C" horizon (south-west along strike of Sun's Seale #1H and T. Keeling #1H wells) have achieved excellent oil flow results, with 30 day IPs of at least 609 Boepd and up to 835 Boepd and 90 day oil production per well of up to 50,000 Boe.
- Extensive discussions with frac design consultants and various frac completion contractors have determined that much progress has now been made in identifying the optimal horizontal well design and that frac design and frac completion are critical to successful commercial exploitation of the Woodbine "C" horizon.
- Recognition of the Lower Woodbine play, rising lease prices of acres containing the play, corporate activity and active drilling of Lower Woodbine horizontal wells has rapidly accelerated over the last 8 weeks, as these horizontal well results become more widely disseminated and understood.

Amerril Oil Project (Sun 50% WI)

- **Seale #1H Well:** The Operator, Amerril Energy LLC (**Amerril**), reports it has to date completed 26 days of flow back from the partially blocked well, recovering ~9% of frac water with a recent maximum daily oil rate of 61 Bopd.
- **T. Keeling #1H Well:** Cased and awaiting frac.

Richland Oil Project (Sun 13.54-16.67% WI)

- **Ellis #1H:** Flow back of frac water is continuing with ~30% of frac water recovered. Oil flow rate is currently averaging 172 Bopd. Oil cut is currently averaging 39% of total fluid extraction rate, i.e. 172 Bopd out of 432 bbls of fluid per day.
- **John Beeler #1H:** Flow back of frac water is continuing. Oil flow rate is currently averaging 75 Bopd. Oil cut is currently averaging 42% of total fluid extraction rate, i.e. 75 Bopd out of 179 bbls of fluid per day.
- **Beeler #1H:** Flow back of frac water is continuing. Oil flow rate is currently averaging 50 Bopd. Oil cut is currently averaging 33% of total fluid extraction rate, i.e. 50 Bopd out of 150 bbls of fluid per day.

Sun Resources NL (**Sun Resources, Sun** or the **Company**) (ASX:SUR) hereby provides an update on developments in its Woodbine Oil Play in Leon County, Texas.

Lower Woodbine Oil Play Developments

In the past few weeks 4 oil companies (Halcon, Clayton Williams, EOG and Silver Oak) have cumulatively announced oil flow results of 10 horizontal wells each drilled into the same stratigraphic horizon as Sun's Seale #1H and T.Keeling #1H horizontal wells (being horizontal fraced wells into the horizon labelled by these oil players and various oil industry participants as either the "Eagle Ford", "Dexter", "Manness Shale", "Lower Woodbine" or the "Woodbine C"). These various names can be confusing but the stratigraphic horizon being drilled is the same. Sun uses the term "Lower Woodbine" or the "Woodbine C" and these terms refer to the same stratigraphic interval.

These 10 horizontal wells into the Lower Woodbine have achieved excellent oil flow results, with 30 day IPs of at least 609 Boepd and up to 835 Boepd and 90 day oil production per well of up to 50,000 Bo.

7 of these 10 horizontal wells in the Lower Woodbine have been reported by Halcon Resources Corporation (**Halcon**) and attached to this announcement is an excerpt of public information recently released by Halcon on these 7 Halcon wells along with public information regarding a horizontal well drilled by Clayton Williams. All of these horizontal wells have been drilled into the Lower Woodbine, in Brazos County, Texas (south-west along strike of Sun's Seale #1H and T. Keeling #1H wells).

Halcon's 7 horizontal wells in the Lower Woodbine are reported by them as resulting in average cumulative production of 40,000 Bo per well over the first 90 days of oil flow, with Halcon's reported type curve showing an estimated gross EURs per well of 371,000 Boe and IRRs exceeding 50% at current oil pricing.

Extensive discussions with frac design consultants and various frac completion contractors have determined that frac design and frac completion are critical to successful exploitation of the Woodbine "C" horizon. A consensus view as to the "recipe" of an optimal frac design for a Lower Woodbine horizontal well is rapidly taking shape, though much work remains to be done before a settled set of frac design parameters is firmly established. This progression in the final frac design is also what occurred in the Eagle Ford Shale in locations such as Karnes, Live Oak and Atascosa counties in Texas. What is abundantly clear however is that oil flow results from later horizontal wells are materially superior to earlier wells as more appropriate frac designs are used and superior frac completions occur.

Recognition of the Lower Woodbine play, rising lease activity and prices of acres containing the play and drilling of Lower Woodbine horizontal wells has rapidly accelerated over the last 8 weeks, as these horizontal well results become more widely known and understood.

Sun believes these recently reported horizontal well results into the Woodbine “C” achieved by other oil companies has significantly de-risked the Lower Woodbine play from a financing and investment perspective (both debt and equity).

Ameril Oil Project (Sun 50% WI)

The Seale #1H horizontal well has now been flowing back for approximately 26 days, including a period of natural flow to reduce well bore pressure, followed by a further period of flow back after the installation of a down-hole jet pump. The oil cut to date has varied but recently peaked at about 8 bbls of oil per hour on an intermittent basis (this varying oil cut is thought to be caused by some frac water passing the fish in the hole as a pressure differential builds up during flow back). The flow rate had increased with the recent installation of a jet pump and the total amount of frac fluid recovered to date is ~9% of that pumped into the formation during the fracing process. However, more recently the flow rates have reduced again, for reasons thought to be related to the broken drill bit still lodged downhole.

The Operator intends to continue to flow the Seale #1H well but within 10 days plans to re-enter the well to attempt to remove the broken drill bit and plug debris obstructing the well-bore below the first seven frac stages. If this is successful, the remaining frac plugs can be drilled out and the full well flowed back to remove frac water and allow oil production across all 23 frac stages.

The T. Keeling #1H well will not be fraced until the status of the Seale #1H well is known and enough data is accumulated from the Seale #1H well, to try to maximise the success of this frac operation. Once more technical information is known, this data will influence the final design of the T. Keeling #1H frac.

Richland Oil Project (Sun 13.54 - 16.66% WI)

The Ellis #1H well has continued to flow oil with a very gentle decline rate to date. Some 3 months after initial flow back commenced, the oil flow rate is still in excess of 170 Bopd. Flow back of frac water is continuing with ~30% of frac water recovered. Oil flow rate is currently averaging 172 Bopd. Oil cut is currently averaging 39% of total fluid extraction rate, i.e. 172 Bopd out of 432 bbls of fluid per day.

Flow back of frac water is continuing on the John Beeler #1H well. Oil flow rate is currently averaging 75 Bopd. Oil cut is currently averaging 42% of total fluid extraction rate, i.e. 75 Bopd out of 179 bbls of fluid per day.

Flow back of frac water is continuing on the Beeler #1H. Oil flow rate is currently averaging 50 Bopd. Oil cut is currently averaging 33% of total fluid extraction rate, i.e. 50 Bopd out of 150 bbls of fluid per day.

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Geological information contained in this report was compiled by the Executive Director, Technical of Sun Resources, Matthew Batrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 32 years' experience in the practice of petroleum geology.

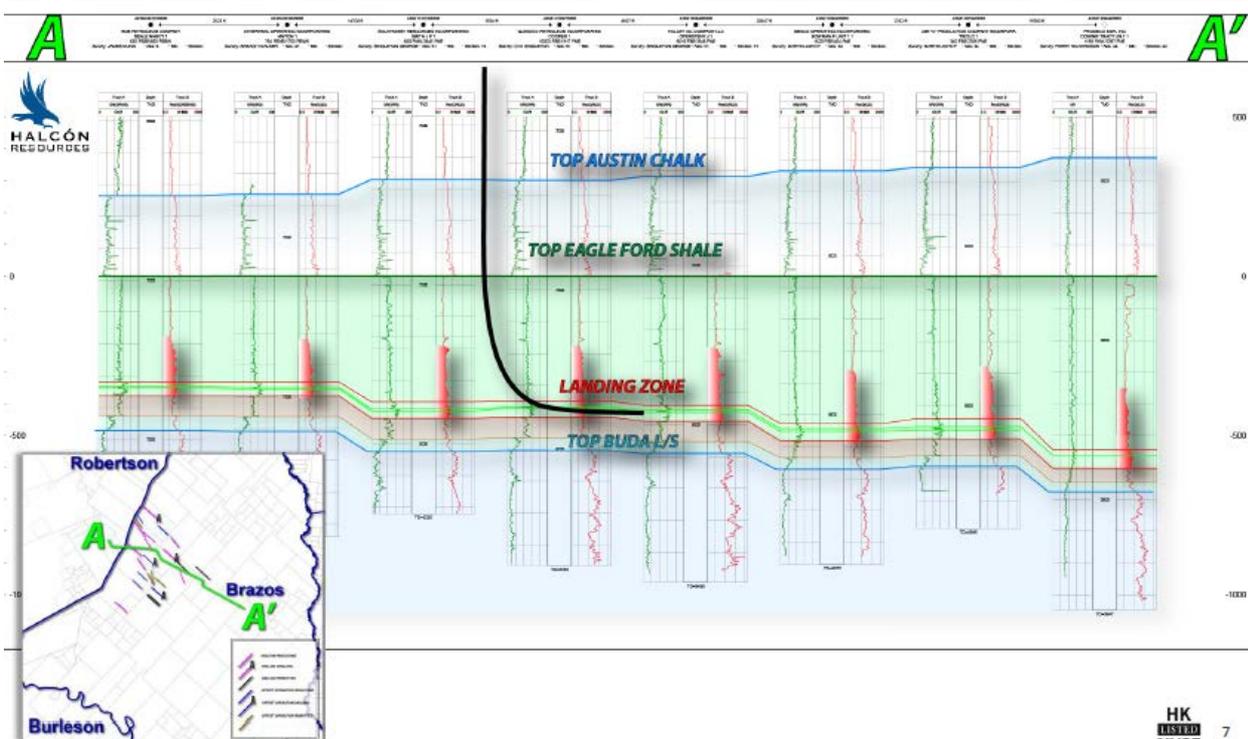
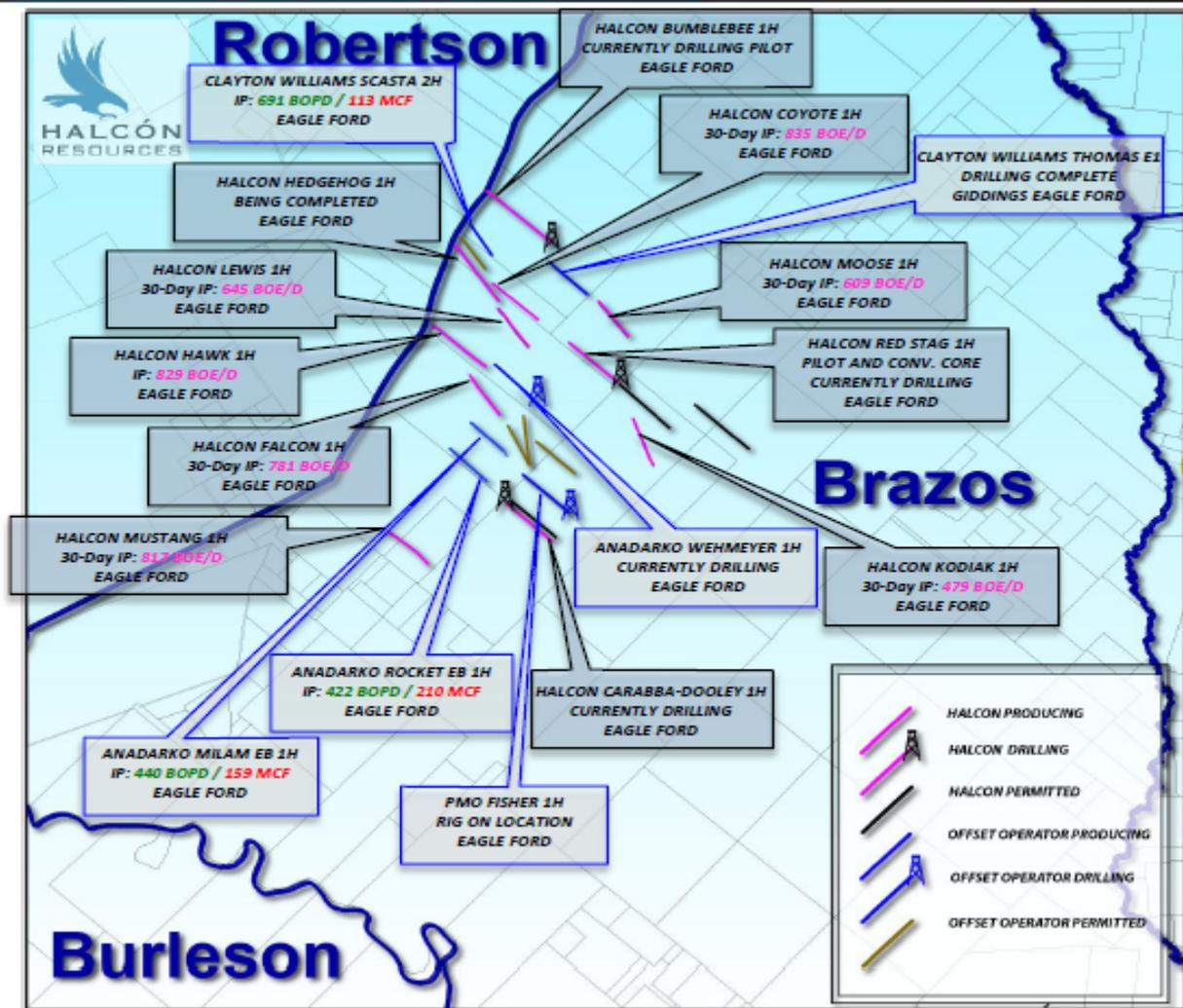
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This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that some or all of the resources and reserves described can be profitably produced in the future.

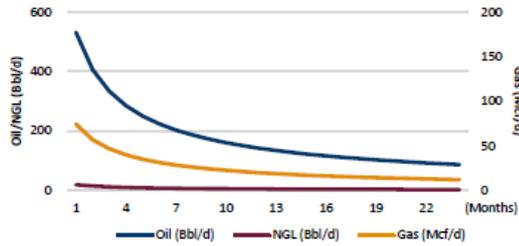
Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this document is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Sun Resources disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.

Annexure – Details of 8 Horizontal Wells into the Woodbine “C” Horizon

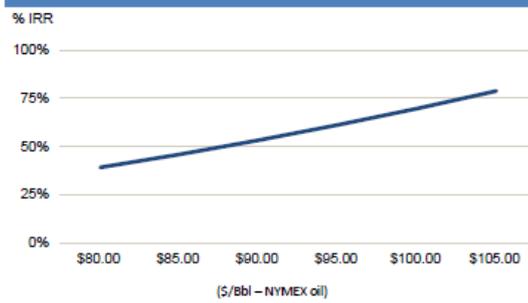


Type Curve (1st 24 Months)



Capital Costs / Well (\$MM)		Gross EURs	
Total D&C	\$7.5	Oil (MBbl)	350
Spud to Production (Days)		NGL (MBbl)	13
Spud to Production	60	Gas (MMcf)	49
Average NRI: ~68%		Total (MBoe)	371
Average NRI: ~68%		Differentials	
Avg. Working Interest	~90%	Oil (% of NYMEX)	102%
Avg. Royalty Burden	~25%	NGL (% of NYMEX Oil)	35%
		Gas (% of NYMEX)	63%

IRR Sensitivity (1)



Note: See "Cautionary Statements" on page 3 for a description of EURs.
 (1) Assumes natural gas price of \$4.00 / MMBtu

Cumulative Production Rates vs. Type Curve (First 90 Days)

