



# SUN RESOURCES NL

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(INCORPORATED IN WESTERN AUSTRALIA)

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Thursday 21 December 2006

Announcements  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY, NSW 2000

Dear Sir/Ms,

## **RE: COMMENCEMENT OF SHALLOW DRILLING PROGRAM ON PROJECT MARGARITA, USA**

Sun Resources NL ("Sun Resources") advises that drilling has commenced on the El Viejito Prospect on Project Margarita, South Texas, USA. El Viejito #1 is the first of a six well, back to back, drilling program on shallow gas prospects (<2,000 metres depth) with up to 8 to 10 billion cubic feet ("BCF") of gross potential outcome.

The shallow prospects to be drilled are analogues of historic prolific Frio and Vicksburg sands production in the project area at <2,000 meters depth. This program is a precursor to commencement of a drilling program on more substantial individual deep 30 to 200 BCF gas potential prospects forecast to commence mid year 2007.

Operations on El Viejito #1 at 07.00 hours Australian WST, Thursday 21 December 2006, was running 8 5/8" surface casing at 630 feet (192 metres) in vertical hole. On completion of this operation a Christmas break will ensue and it is planned to drill ahead on December 26th in 7 5/8" hole to basal Frio and Vicksburgh targets and final depth of 6,200 feet (1,920 metres) where the hole will be logged and a decision will be made to run 4 1/2" casing and test target zones of interest. A further update will be made on completion of the well in the New Year.

Participants interests on completion of each of the wells in the program are:

# Sun Resources NL	20.00%
# Victoria Petroleum NL	20.00%
*Empyrean Energy PLC	44.00%
Wandoo Energy LLC	<u>16.00%</u>
	100.00%

# ASX listed  
\* AIM listed  
+ USA Private Interest

Yours sincerely  
**SUN RESOURCES NL**

Dr Brad L Farrell  
**EXECUTIVE CHAIRMAN**

## Background to Drilling Program

The Wandoo Joint Venture (Sun Resources NL 37.5% – Victoria Petroleum NL 37.5% – Wandoo Energy LLC 25.0%) since late December 2005 has been working on the interpretation of 530 km<sup>2</sup> of 3D seismic which forms the basis of Project Margarita in South Texas. Over 60 leads have been recognised in prospective stratigraphic/structural settings at various depths ranging from 1,000 to 4,000 metres. These leads have been systematically studied, refined and high graded by further seismic reprocessing and seismic attribute analysis, and in the case of the shallow leads, reservoir engineering data from nearby producing analogues has also been used. This has resulted in a prospect inventory which has a high probability outcome of success on drilling.

AIM listed Empyrean Energy PLC (“Empyrean”) has farmed into the drilling of six of the inventory of shallow oil and gas prospects at <2,000 metres depth and has the option to participate in further drilling of the shallow prospect inventory on the same terms and conditions of drilling as the six prospects. Empyrean also has an option to farm into the drilling of three of the deep prospects (>2,000 metres depth) on completion of the six shallow well program. The drilling of the six shallow wells will be broken into two phases, the Initial Wells program and the Final Wells program. A commercial success in the Initial Wells program will trigger the Final Wells program and Empyrean’s immediate commitment to this phase of the program.

The shallow prospects to be drilled in the Initial Wells program with mean target outcomes and final well depths are as follows;

El Viejito Prospect	1.6 BCF	1,920 metres
Dos Dedos Prospect	1.2 BCF	975 metres
Milagro Prospect	2.0 BCF	1,585 metres.

The Final Wells program prospects will be finalised from the shallow prospect inventory when the outcome of the Initial Wells program is known. These prospects have target size outcomes similar to the Initial Wells program.

The Initial Wells program is expected to run until the end of the second week of January 2007. The Final Wells program is planned to commence in early February 2007 and be of a similar duration to the Initial Wells program. Development of any commercial discovery will be a matter of a few months as the project area is crossed by a number of gas pipelines with access rights and capacity available to tie into.

This report is lodged on the Company’s website, [www.sunres.com.au](http://www.sunres.com.au)

Information contained in this report was sourced from information provided by the various project operators and compiled by Dr B. L. Farrell, PhD, MSc, BSc (Hons Eco.Geol), FAIMM, MICA, CPGeol, MIMM, MPESA, who has had 35 years experience in the practice of geology and more than 5 years experience in petroleum geology.