



# SUN RESOURCES NL

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(INCORPORATED IN WESTERN AUSTRALIA)

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

Dear Sir/Ms,

## **RE: DRILLING SCHEDULE UPDATE, USA PROJECTS**

Sun Resources NL ("Sun Resources") wishes to update shareholders on its drilling schedules on various projects in the USA following advice from the various Project Operators.

### **1. EAGLE PROJECT – CALIFORNIA, USA (10.0% Interest)**

It is expected production testing operations will resume late September 2006 over the 177 metres of indicated oil bearing sand in Eagle North 1; ie the 72 metres behind the 4½" liner from 4,209 to 4,281 metres measured depth and barefoot completing out of the base of the 4½" liner at 4,281 metres measured depth the 105 metres of open hole lower Gatchell oil sand from 4,281 to 4,386 metres measured depth.

An attempt to perforate the casing and production test the well was made in early June 2006, but mechanical problems occurred without obtaining a result. At this point, on the 8<sup>th</sup> June 2006, it was decided to curtail testing operations, release the high cost deep drilling rig and continue the production testing operations in a more cost effective and technically efficient manner by using both a coiled tubing unit rig and a deep completion rig. The heavy demand for equipment and personnel in the Bakersfield production area has resulted in the delay experienced to date in obtaining the necessary equipment to effect a test result.

Current high oil and gas prices (in excess of US \$70 per barrel of oil and US\$7 per mcf for gas) now makes the project an attractive development target. This attractiveness is further increased by the acquired knowledge that the reservoir can be developed and produced by insitu horizontal wells which results in increased flow rates (4 to 6 fold) for oil and gas over a conventional vertical well such as the nearby Mary Bellocchi 1 which flowed hydrocarbons to the surface on test at rates of up to 223 barrels of 42<sup>o</sup> API oil and 880,000 cubic feet of gas per day

### **2. FLOUR BLUFF PROJECT – TEXAS, USA (20.000 to 24.167% Interest)**

Phase 2 of the Flour Bluff Project development program, Gulf Coast, South Texas, is scheduled to commence mid October 2006. It was to commence in February 2006, but has been delayed due to a back up in the Contractor's deep rig scheduling caused by the current boom in the demand for drilling rigs especially for the fewer in number with deep drilling capacity in the drilling industry on the Texas Gulf Coast. Regrettably because of this problem only FB #1 on the West Flour Bluff Gas Field (slotted mid October – December 2006) and D-26 on the East Flour Bluff Gas Field (slotted February – April 2007) are presently firmly scheduled for drilling in the 2007 financial year.

The Phase 1 program of the Flour Bluff Project development program was proof of concept designed to verify the location of remaining reserves and potential in the East and West Flour Bluff Gas Fields. The Phase 2 program is a focus on development of the now delineated reserves in these fields in the deep Frio J and K sands. Emphasis will also be on applying learnings from Phase 1; ie substantially improving flow outcomes by better well engineering and well completions to obtain predicted flow outcomes of 3 to

5 million cubic feet per day from single completions from wells and possibly increments of that from multiple completions of reservoirs.

The Phase 2 program involves 8 new wells and a work over of a well over a 16 to 18 month period, targeting 40.9 billion cubic feet of recoverable gas equivalent of 3P recoverable reserves (36.5 billion cubic feet of recoverable gas and 723,700 barrels of recoverable oil). Of the eight new wells, four will be located on the West Flour Bluff Gas Field (FB #1 to 4) and are essentially step outs from BG Webb #1 targeting Frio J and K sands. Four new wells on the East Flour Bluff Gas Field (D-23, D-26, D-27 and D-28) have different targets. D-26 and D-27 are essentially step outs from D-24 targeting Frio J sands. D-23 and D-28 are follow up of promising indications of remaining shallow potential from mud logs and wireline logs of D-24; ie D-23 targets the 2,500 - 2,600' sands, and D-28 targets the 8,000' sands.

The Phase 2 program addresses gas volumes within the 3P (Proved, Probable, Possible) reserve envelopes for both fields as verified by the independent expert Ryder Scott. Expected individual well reserve outcomes range from 4 to 7 billion cubic feet of recoverable gas equivalent. As per the outcome of the first development phase, success on the program will see an upward movement of Possible and Probable reserve categories into Proved and those in Proved Undeveloped into Proved Producing and Proved Behind Pipe. What is currently classified a "Potential" will remain so until a Phase 3 development program occurs in 2008, when wells are planned on West Flour Bluff Gas Field to test the prominent northern "nose" where the bulk of the project potential is thought to lie. The Operator has suggested gross project production may get to 18 to 20 million cubic feet /day at end of the Phase 2 Program with considerable upside to these projections if all wells are completed successfully.

## 2. **PROJECT MARGARITA – TEXAS, USA (37.5% Interest)**

The Wandoo Joint Venture exposes Sun Resources on a ground floor basis to a large seismic data base for regional evaluation and generation of many prospects that offers a choice of drillable prospects of various risked size potential.

The first specific project in the Wandoo Joint Venture is Project Margarita in South Texas in which Sun Resources has a 37.5% working interest where 25 leads and prospects have been recognised in prospective stratigraphic/structural settings at various depths ranging from 1,000 to 4,000 metres in 530 km<sup>2</sup> of 3D seismic. Historic production and plays in the project area and environs are Frio and Vicksburg sands at <1,800 meters depth. Deeper Yegua and Wilcox sands between 1,800 and 4,000 metres are under explored and only 4 wells >2,400 metres have been drilled in the project area and were drilled pre 3D seismic.

Current emphasis is on commencement in late December quarter 2006 of a four to six well, back to back, drilling program on shallow gas prospects with 8 to 10 billion cubic feet of gas potential outcome. This program will be a precursor to commencement of a drilling program on the more substantial individual deep 60 to 200 billion cubic feet gas potential prospects in June quarter 2007.

Yours sincerely  
**SUN RESOURCES NL**



Dr Brad L Farrell  
**EXECUTIVE CHAIRMAN**

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.