



SUN RESOURCES NL

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(INCORPORATED IN WESTERN AUSTRALIA)

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Friday, 18 May 2007

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

Dear Sir/Ms,

**RE: DRILLING UPDATE, PROJECT MARGARITA, TEXAS, USA
COMMENCEMENT OF AGAVERO #1
FINAL SHALLOW DRILLING PROGRAM**

Following on from the successful Project Margarita Initial Wells program on the El Viejito, Dos Dedos and Milagro Prospects, Sun Resources NL ("Sun Resources") advises shareholders that the Final Wells program is expected to be underway at the weekend with the spud of Agavero #1 on the same named prospect. Further advice on progress of the well program will be given weekly and/or when significant developments necessitate advice.

Background

The shallow prospects to be drilled in the Final Wells programs are again analogues of historic prolific Frio and Vicksburg sands production in the project area at <2,000 meters depth. The prospects with mean potential target outcomes and final well depths are summarised below.

Prospect	Potential Mean Reserves	Total Well Depth
Agavero	0.7 BCF	1,341 metres
Dona Carlota	0.8 BCF	1,524 metres
Climaco	1.6 BCF	1,981 metres

As with the successful Initial Wells program, tie in of any commercial discovery made on the prospects will be rapid as the project area is crossed by a number of gas pipelines with access rights and available capacity to tie into. As such the Final Wells program, inclusive of completions and production tie ins on successful wells, is currently expected to run until end of August 2007.

The final phase of the Margarita shallow drilling program is a precursor to commencement of a drilling program on an inventory of more substantial individual deep Cook Mountain Formation and Wilcox Formation, 30 to 200 BCF gas potential, prospects in the Project Margarita area. Conditional on Empyrean Energy PLC exercising its option on completion of the shallow Final Wells program the Deep Wells program could be underway late September quarter 2007.

Participants interests in the shallow gas program wells 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 (farminee); + USA Private Interest

Yours sincerely

SUN RESOURCES NL



Dr Brad L Farrell

EXECUTIVE CHAIRMAN

This report is lodged on the Company's website, 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.