



# SUN RESOURCES NL

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

Dear Sir/Ms,

## **RE: UPDATE PROJECT MARGARITA, USA - COMMENCEMENT OF FINAL WELLS SHALLOW DRILLING PROGRAM**

Sun Resources NL (Sun Resources) wishes to update shareholders of developments on Project Margarita and to confirm the commencement of the final phase of the 6 well shallow drilling program. Sun Resources retains a 20% working & revenue interest on these wells, after payback to the farminee, Empyrean Energy PLC (Empyrean).

### **1. Results of Initial Wells Shallow Drilling Program**

The initial 3 wells in the program El Viejito, Dos Dedos and Milagro prospects have been drilled, completed and tested with all wells encountering and flowing hydrocarbons. El Viejito #1 and Dos Dedos #1 were gas discoveries and Milagro #1 is interpreted as a high gas content oil discovery. Well testing was prolonged due to the large number of potentially productive zones tested (up to 4 per well), unconsolidated sands flowing into the well bore which required removal prior to conducting tests of other zones and inclement weather preventing access to the well locations.

**El Vietjo #1** flowed gas at a rate up to 210 mscfd within a 24 hour test period, however due to the high vertical permeability of the sands (atypical for these sands) water influx from below the gas bearing interval gradually choked off gas flow. If the gas bearing interval had a base seal separating the gas and water then the zone would have been a good commercial producer. It was determined that remedial work to prevent or inhibit water inflow was deemed unlikely to succeed in maintaining sustained production; therefore the well was suspended and can be used as a water disposal well for the joint venture.

**Dos Dedos #1** is currently being prepared to be connected to a gas sales line, this should be completed within a few days. It is proposed that the uppermost gas bearing sand in the well will commence production at 150,000 scfd. Probable reserves pertaining to this sand are of the order of 0.35 bcf gross gas. Further production and pressure data is required to more accurately predict potential reserves.

**Milagro #1** was connected to a gas sales line on April 3, 2007 and has been producing at rates up to 384,000 scfd, averaging around 375,000 scfd. The well is currently producing at 348,000 scfd with 1.67 bbls/d of oil. The prognosis from log analysis and sidewall cores is that the interval is oil bearing with a high gas oil ratio. This is based on a nearby analogue that produced 213,000 barrels of oil and 0.3 bcf of gas. Initial flow from the analogue was almost entirely gas before oil flowed. At this time further production and pressure data is required to more accurately predict potential reserves. Prior to commencement of production, reservoir engineering analysis calculated potential reserves within the feature at approx. gross 150,000 bbls oil, it would likely take two wells to recover these volumes.

## 2. Final Wells Shallow Drilling Program

As previously advised, under the terms of the farmout agreement with Empyrean a commercial success in the initial 3 well shallow drilling program triggers the drilling of a further 3 shallow wells under the same terms. Empyrean will now contribute to the funding of the next three wells, Agavero #1, Dona Carlota #1 & Climaco #1 in the shallow drilling program. The terms and conditions of the farmout are the same as the initial 3 well program, these terms and conditions were detailed in Sun Resources' ASX Release dated December 5, 2006.

The next 3 shallow prospects to be drilled are analogues of Frio and Vicksburg sand production in the area at depths less than 2,000 meters. The drilling program is expected to commence around mid May 2007 and run until the end of July 2007. The prospects have the following mean reserve outcomes and total depths;

Prospect Name	Mean Reserves	Total Depth
Agavero	0.7 bcf	1,340 metres
Dona Carlota	0.8 bcf	1,525 metres
Climaco	1.6 bcf	1,980 metres

Participants Working Interest in the shallow gas program wells are:

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

<sup>#</sup> ASX listed

<sup>\*</sup> AIM listed

<sup>+</sup> USA Private Interest

## 3. Deep Wells Program

Following the completion of the remaining 3 shallow well program and conditional upon Empyrean exercising its option to the deep well drilling program, commencement of this program is expected to occur late in the September quarter 2007. These prospects have potential recoverable gas volumes of 30 to 200 bcf unrisks.

Yours sincerely

**SUN RESOURCES NL**



William Ashby

**MANAGING DIRECTOR**

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 the project operator and compiled by William J. Ashby who has had 23 years experience in the practice of petroleum exploration and more than 5 years experience in petroleum geology and geophysics.