



SUN RESOURCES NL

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

RE: PROJECT MARGARITA, SOUTH TEXAS, TESTING & DRILLING UPDATE

Sun Resources NL ("Sun Resources") is pleased to advise the following testing and drilling updates.

TESTING AGAVERO PROSPECT

Interpretation of wire line logs indicated the target Frio V sand in Agavero #1 had 5.5 metres of gross gas pay on rock with no water from 889.4 metres depth. **The whole gross pay zone has now been successfully perforated**; the upper 4.0 metre laminated sand first to evaluate its potential and then adding perforations to the base 1.5 metre sand interval to evaluate overall potential. **Gas flowed at 647,000 scf per day on 10/64" choke at 1147# FTP with no water as the reservoir analysis of the pay predicted.** The well will now be tied into a nearby pipeline that crosses the lease to commence gas sales.

CLIMACO #1

From this morning's well report, Climaco-1, the third well in the current shallow exploration program, was drilling ahead at 1,830 metres depth to a prominent seismic amplitude anomaly in a Lower Vicksburg sand at 1,792 metres depth and thence to final total depth of 2,067 metres.

Since the last update on Climaco #1 on 17 July, the well intersected a pressure ramp with 55m of associated gas in a shallower Lower Vicksburg sand package above the objective from 1,640 metres to 1,728 metres depth. The pressure associated with these gas shows caused the operator to raise the mud weight from 9.2 lbs to 11.0 lbs and eventually to add a 15.8 lb pill to the mud to kill and bring the well into balance so that the well could be logged, to assess the gas shows, and cased to 1,728 metres depth, to drill ahead safely to target and final depth. Electric logs however confirmed the sand package did not have pay, and was more siltstone than sandstone.

The high pressure resulted in the drilling contractor invoking the "mud out" clause in the drilling contract and the drilling rig ceased being on a turnkey contract and converted to a day work rate contract. As the well on casing could be completed and tested more cost efficiently with a slim hole drilling rig, a decision was made to change

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over to that rig type. However, adverse weather conditions and local flooding delayed the slim hole rig's arrival to commence operations on the well until late last week.

The presence of high pressure gas in a shallower sand package in the Lower Vicksburg Formation is positive for a successful outcome on the drill target, as prominent seismic amplitude anomalies in the Lower Vicksburg Formation sands in the area are generally indicative of the presence of gas.

Background

The Climaco Prospect is the third of the three prospects being drilled in the Phase 2 shallow drilling program on Project Margarita that are 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, final well depths and current status are summarised below.

Prospect	Potential Reserves Mean BCF	Total Well Depth Metres	Status
Climaco	1.60	2,067	Current Well
Agavero	0.70	1,341	Drilled – Gas discovery tested 648,000 scfd being brought on to sales line.
Dona Carlota	0.62	1,524	Drilled – Gas discovery tested 1+mmscfd being brought on to sales line.

Participants' interests in the final 3 wells of the Margarita shallow gas program are;

	<u>% Interest</u>
# 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 Interests

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 project operator and compiled by Dr B. L. Farrell, PhD, MSc, BSc (Hons Eco.Geol), FAIMM, MICA, CPGeol, MIMM, MPESA, who has had 37 years experience in the practice of geology and more than 5 years experience in petroleum geology.