



## ASX Announcement

12 September 2011

### Target spuds first well in potential company-making Texan oil resource play

#### Key Points

- **BOA 12 #1 well successfully spudded on Saturday 10 September**
- **Well expected to take a fortnight to reach target depth of 3,170m**
- **Key target zone (Wolfberry in the Permian Basin) has estimated recoverable reserves for the well of up to 180,000 barrels of oil equivalent**
- **Wolfberry has potential initial production rate of up to 150 barrels of oil per day (BOPD)**
- **The deeper Fusselman target zone has potential to provide significant additional oil production potentially in excess of 300 BOPD based on recent successful wells approximately 3 miles south of this well**
- **Up to 64 wells can be drilled on Target's Fairway Project area**

Target Energy (ASX: TEX) is pleased to advise that drilling has commenced at BOA 12 #1, the first well in its potentially lucrative oil exploration program in West Texas.

Drilling commenced at 2130 hrs on 10 September (US CDT). At 0600 hrs on 11 September, the well was at 394 ft and drilling ahead. It is expected to take around two weeks to reach its programmed Total Depth at approximately of 3,170 metres.

BOA 12 #1 is part of Target's Fairway Project, which is situated in the Permian Basin, currently one of the exploration hot spots in the US.

The outstanding success rate in the area has led to it being targeted by many leading US petroleum companies, making it a hive of exploration and production activity.

The well's primary target is the Wolfberry interval along with the deeper Fusselman Formation. The Wolfberry is considered to have the potential to be a company-maker for Target, with up to 64 drilling locations within the Fairway project area, each with potentially recoverable reserves estimated at up to 180,000 barrels of oil equivalent.

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#### Corporate information

##### ASX Code

TEX

TEXOB

##### Board of Directors

Chris Rowe, Chairman  
Laurence Roe, Managing Director  
Graham Riley, Director  
Stephen Mann, Director  
Ralph Kehle, Chairman TELA (USA)

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##### Overview of activities

Target is exploring and producing a suite of highly prospective oil and gas projects in the USA.

*NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr Laurence Roe, B Sc, Managing Director of Target Energy, who is a member of the Society of Exploration Geophysicists and has at over 30 years' experience in the sector. He consents to that information in the form and context in which it appears.*

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Based on the information available to date, Target believes such a discovery could initially produce at rates of between about 100-150 BOPD.

The deeper Fusselman Formation also has the potential to generate immediate production and cashflow. Recent drilling, just 3 miles south of the BOA 12 #1 location by Trilogy Operating, one of Target’s partners in BOA 12 #1, has recorded several Fusselman discoveries with flow rates ranging up to 800 BOPD.

Up to 64 wells can be drilled on the Fairway acreage on a typical 40-acre spacing. This figure could be increased substantially in light of a recent decision by the Railroad Commission of Texas (the regulator of oil and gas activities in Texas) to halve the minimum drill spacing to 20 acres on the Spraberry Trend at Wolfberry.

At a 20-acre spacing, up to 128 wells could be drilled at Fairway, potentially doubling the value of the asset for Target. Some companies in the area are also investigating horizontal drilling and the merits of water flooding in the Wolfberry to further increase recovery rates.

The Fairway Project currently covers 2,553 acres. Target holds 60 per cent of the working interest, with Trilogy Operating having 30 per cent and Avalon Oil 10 per cent.

The location of BOA 12 #1 and the Fairway tracts are shown in Figure 1.

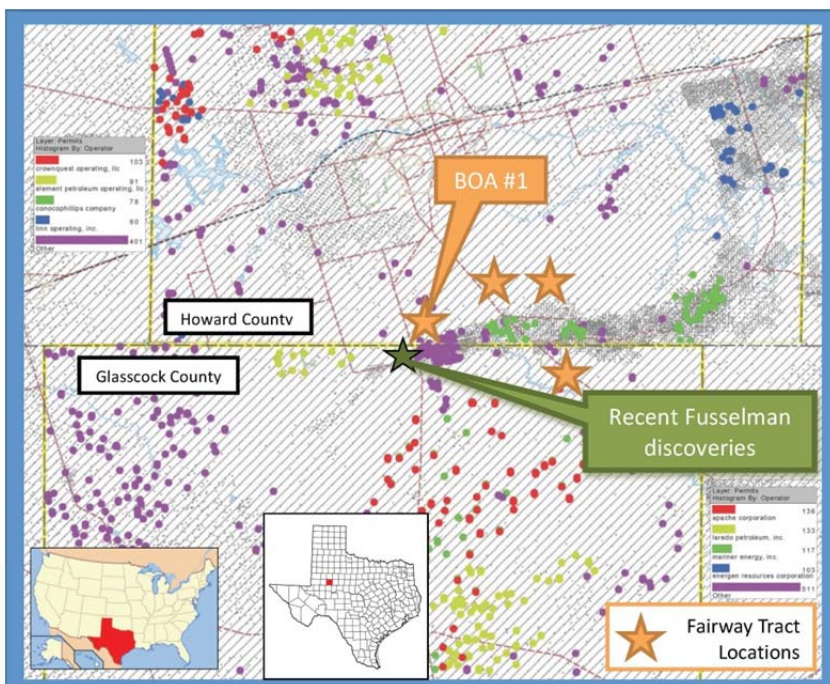


Figure 1. Some of the over 900 well locations permitted just in Howard and Glasscock Counties since 2007



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