



ASX Announcement

13 December 2010

Target Energy to earn 50% interest in large Texas Project in United States

Highlights:

- Target entered into an agreement to earn up to 50% working interest in the Buffalo Project, covering approximately 13,000 acres in South Texas, USA
- Under the terms of the agreement Target will fully-fund the fracture stimulation of two existing wells and drill and fracture stimulate a new horizontal well to earn a 50% interest in the project

US-focussed oil and gas exploration and production company, Target Energy Limited (“Target” or “the Company”) (**ASX:TEX**), is pleased to advise that it has entered into an agreement to earn up to a 50% working interest and operatorship of properties covering approximately 13,000 acres (the “Buffalo” Project) in South Texas, USA.

Under the terms of the agreement Target will fully-fund the fracture stimulation (“frac”) of an existing well at the Buffalo Project to earn a 100% working interest in the relevant zone in the borehole until pay-out with Target’s working interest to revert to 50% after pay-out.

Target will also earn an option to frac a second well under similar terms, which in turn will earn it an option to drill and complete a new horizontal well in the project area on the same terms.

Following the drilling of the new well, should Target then elect to undertake more work in the project area, it will be assigned a 50% working interest in the entire leasehold. The Company will also retain options to frac any other wells in the project area currently owned by the existing partners. The partners in the project are private US companies.

Target will operate the frac and drilling programs and will be assigned operatorship of the entire project at such time as it is assigned the 50% working interest in the entire leasehold.

Target’s Managing Director, Laurence Roe, said this project offered considerable upside for the Company. “We are fundamentally testing a new resource play which appears to have considerable areal extent. Our analysis

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Corporate information

ASX Code

TEX

Board of Directors

Chris Rowe, Chairman
Laurence Roe, Managing Director
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Overview of activities

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

Target has interests in six production wells.



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suggests that there is considerable un-tapped potential in the zone in question – both for gas and oil.

“Once we can confirm this with our proposed frac programs, we plan to go ahead and drill a new horizontal well to fully assess its potential. Success in the drilling will then allow us to develop a substantial ongoing campaign.

“Target’s entry cost for this is low risk – just the fracing of one well and some leasing costs. All other work will be at Target’s discretion and subject to the results of the preceding programs.

“Importantly, as Operator, Target will have control over the timing and extent of the programs. We have already commenced the design of the first frac and are looking to engage a suitable frac crew in the next few weeks,” Mr Roe said.

A handwritten signature in dark ink, appearing to read "Laurence Roe". The signature is fluid and cursive.

For and on behalf of
TARGET ENERGY LIMITED

Laurence Roe
Managing Director

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 least 5 years experience in the sector. He consents to that information in the form and context in which it appears.