



ASX Announcement

16 June 2010

Gas Flows at Highway 71

US-focused oil and gas exploration and production company, Target Energy Limited ("Target") (**ASX:TEX**) is pleased to advise that perforation and flow testing from the Cook Mountain sands at its Merta #1 well have yielded commercial gas and oil flows.

Following the mobilisation of a completion rig to the Merta #1 well site at Target's 25%-owned Highway 71 prospect in Wharton County, Texas, the 114.5 mm (4 1/2 inch) casing above 2,438 m depth was removed from the borehole and the Cook Mountain sandstone subsequently perforated in multiple intervals.

Production from the lower Cook Mountain sands appears to be stabilising, averaging approximately 1.1 million cubic feet of gas per day with 12 barrels of oil per day over the last 48 hours.

Initial analysis suggests the contribution from an upper interval, including the sand that yielded a gas flow during formation testing undertaken while drilling, appears to be minimal. Additional pressure and flow data are being acquired to determine an appropriate stimulation strategy.

The completion rig and testing equipment have been released and the well is flowing into the sales line.

Target's Managing Director Laurence Roe is pleased to see the well in production.

"We are delighted to bring the Cook Mountain sands into production after what has been a lengthy completion process. Production will continue from the lower zone while we gather more data to see how best we can optimise flows from the upper interval.

"We will assess the reserve potential after the well has been online for a period of time and we have some more pressure and flow data," commented Mr Roe.

"In the meantime, we will focus our attention on the East Chalkley Oil Field development program and will continue our investigation into New Ventures opportunities, in the USA and internationally.

"As we have stated previously, the Board believes that at our current market capitalisation, our assets are substantially undervalued and we are progressing strategies to allow the value of these assets to be leveraged in accelerating the Company's participation in new projects," said Mr Roe.

Corporate information

ASX Code

TEX

Board of Directors

Chris Rowe, Chairman

Laurence Roe, Managing Director

Paul Lloyd, Director

Mike Martin, 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 producing assets in its East Chalkley oil field the Section 28 Oil and Gas Project and now at Highway 71.

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



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Target Energy currently has oil and gas production in three separate project areas in Texas and Louisiana.

For and on behalf of
TARGET ENERGY LIMITED

Laurence Roe
Managing Director