



## ASX Announcement

18 May 2011

### Fairway Project expanded by 70% Buffalo Update

#### Highlights

- **64-well potential in expanded Fairway acreage**
- **Drilling expected to commence in 30-60 days**
- **Sustained oil & gas flows at Buffalo well**

US-focussed oil and gas exploration and production company, Target Energy Limited ("Target"; ASX:TEX), is pleased to advise the following developments in its Texas operations.

#### Fairway Project, Howard and Glasscock Counties

Target's Fairway project, in the highly prospective Wolfberry Oil Resource Play in the Permian Basin in West Texas, has expanded by 70% with the inclusion of additional leases in adjacent Glasscock County. The project now encompasses 2,550 net mineral acres (originally 1,500 acres) over four tracts in which Target will earn a 60% working interest by paying acreage costs and participating in at least four wells.

Based on a typical 40-acre development spacing, Target expects to be able to drill up to 64 wells within the project area. Drilling at the first location is expected to commence within 30 to 60 days, depending on the available timing of the contracted "Ringo 22" rig. The next three wells, one in each of the other tracts, are likely to be drilled back-to-back commencing in mid-late Q3, with planning for major appraisal and development programs to follow.

The drilling will target both the Wolfberry section and the deeper Fusselman formation and will also investigate additional potential in the Canyon, Cisco and Clearfork Formations - all of which produce in the area and will be tested in the Fairway drilling.

Typical Wolfberry reserves for wells in the region are approximately 140 thousand barrels of oil equivalent (mBOE), with potential for an additional 80 mBO in the Fusselman formation. In the Fairway project area in particular, the Fusselman can be highly prospective with recent local wells producing from that formation at sustained rates of up to 300 Barrels of oil per day (BOPD) and paying out within a couple of months.

In addition to the upcoming drilling, the partners are continuing to identify further leasing opportunities to expand the project.

#### 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)

Rowan Caren, Company Secretary

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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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### Buffalo Project, South Texas.

Following the 14 April fracture stimulation and the subsequent installation of a pump jack to accelerate the recovery of the load fluid, the well has now recovered approximately 89% of the load water (over 11,800 barrels of water were pumped into the formation during the operation).

Gas flow has increased to approximately 55 mcfgd with oil production presently estimated at 3-5 BOPD. The fluid recovery and flow monitoring are continuing.

Managing Director Laurence Roe commented on the developments. "We are very pleased with the expansion of our acreage position in the Fairway project. With potential for up to 64 wells to be drilled within the 2,553 acres of leasehold and with Target holding a 60% working interest, this project has genuine "company building" potential. We will initially drill one well in each of the four tracts, before proceeding to assess our appraisal and development options.

"The first well will be drilling in 30 – 60 days and we are talking to the operator about following this up with a 3 well back-to-back program to complete the initial drilling. If we get the kind of results we expect, we will look at moving forward with a major development program.

"At the Buffalo project we will continue to pump the well and monitor the oil and gas production – we may see this continue for a few more weeks. I'm pleased to see some increase in the oil and gas rates, although we have a way to go before we are at the levels we would like to see. Our analysis of the water suggests we are recovering the load-water we injected during the stimulation program along with some formation water. This is not entirely surprising as the frac probably encountered some localized water-bearing sands. This means we will produce more water than we injected before we can expect to see a meaningful increase in oil and gas. "

For and on behalf of  
TARGET ENERGY LIMITED

A handwritten signature in dark ink, appearing to read "Laurence Roe". The signature is written in a cursive style and is positioned above a light blue, semi-transparent rectangular box.

**Laurence Roe**  
Managing Director