



## ASX Announcement

22 August 2011

### Target set to spud first well in highly prospective Texan oil resource play

#### Key Points

- **First well (BOA #1) in four-well program to spud on August 30**
- **Drilling program to focus on the Wolfberry oil resource play in the Permian Basin – an oil exploration hot spot in the US with an outstanding success rate**
- **First well will target Wolfberry zone with 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 in excess of 500 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 announce that it expects to spud the first of four highly prospective oil exploration wells at its Fairway Project in West Texas in the US on August 30, 2011.

The first well, BOA #1, will target the prolific Wolfberry section, recognised as one of the United States' top oil resource plays, with the potential to be a company-maker for Target. The well will also test the deeper Fusselman Formation, a potentially highly-productive oil zone.

Recoverable reserves for BOA #1 in the Wolfberry section have been estimated at up to 180,000 barrels of oil equivalent. Based on the information available to date, Target believes such a discovery would initially produce at rates of between about 100-150 BOPD, capable of repaying the cost of the well within two years at current prices.

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

Up to 64 wells can be drilled on the Fairway acreage. 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.

BOA #1, scheduled to be spudded on 30 August, will be drilled to a total depth of 3170m. This is expected to take a fortnight. The location of BOA #1 and the Fairway tracts are shown in Figure 1.

The Wolfberry Section play is contained in the Permian Basin. This is currently one of the hottest exploration areas in the US, with about 350 rigs in operation. The high success rates are driving the companies involved to increase their drilling budgets significantly, with some providing for as many as 1000 wells in 2012.

There are very few Wolfberry wells that have not been an economic success. Most will start production at 100–150 barrels of oil a day, with a pay-back of less than two years at today's prices. They then deplete over a year or two to less than 40 barrels of oil a day but will continue to produce for up to 30 years on a very shallow decline. It is this long-term oil production that underpins the economics of projects in the Wolfberry section and makes it attractive to drill and develop.

The Fusselman Formation is below the Wolfberry section and generally exhibits good porosity and permeability. If the Fusselman is considered to be productive at the BOA #1 well, it will be immediately tested and put on production. Any testing of the Wolfberry section will be deferred until economic production from the Fusselman has ceased (current Railroad Commission regulations preclude the co-mingling of the Fusselman and Wolfberry, though there is a proposal before the Commission at this time to allow operators to co-mingle these zones).

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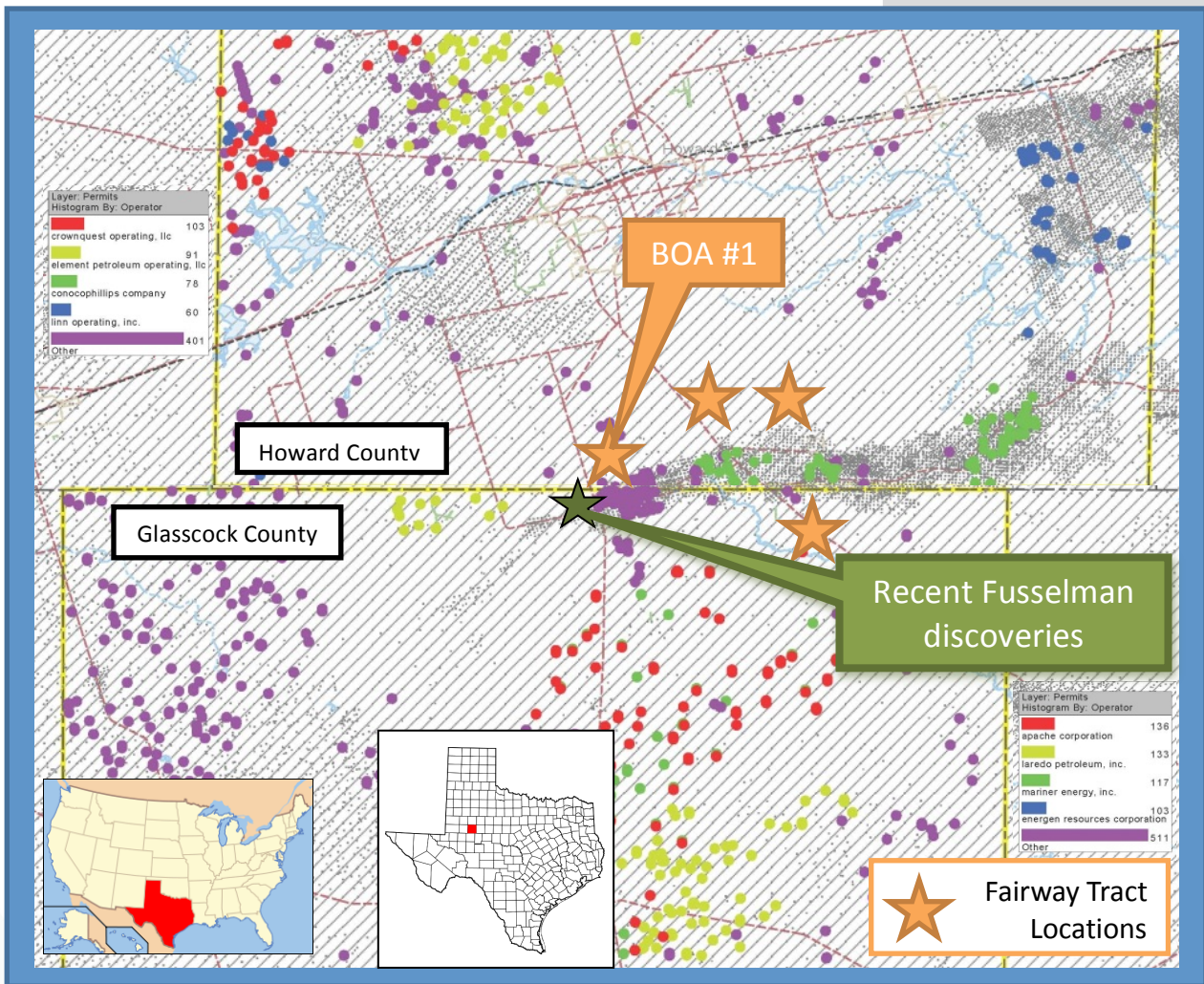


Figure 1. Some of the over 900 well locations permitted just in Howard and Glasscock Counties since 2007