

## ASX Announcement

23 April 2012

### Operations update

#### Shepard's Channel Prospect, Lafourche Parish, Louisiana

##### Operations Report

Target WI: 15.33%

All reported depths are measured depths below the Rotary Table (RT) on the rig floor.

**Report Date:** 7:00 pm 22/04/12 (Western Aust Standard Time) /  
6:00 am 22/04/12 (USA Central Daylight Time)

**Current Depth:** 4,017 metres RT.

**Progress:** Wash over stuck bottom-hole assembly (BHA); wash-pipe stuck at 3,931m. Back off wash-pipe. Run in hole, screw into stuck BHA, free BHA. Circulate and wash to 4,017m (Total Depth). Pull out of hole. Persistent gas influx noted during operations.

Run in with liner and liner hanger assembly. Hanger assembly stuck at 1,158 m. Presently recovering assembly and liner.

**Comment:** With a thick potential reservoir section in this well and with persistent gas shows, operations to free and recover the stuck pipe from the open hole were appropriately slow and careful - and not without some challenges. The pipe was successfully recovered.

Subsequently, while running in with the liner assembly to case the open hole, the assembly itself became stuck within the existing casing. It has been necessary to mill out the top of the hanger to free the rest of the assembly, an operation which is now underway. Once completed - and the balance of the equipment and liner recovered - the hole will be cleaned out prior to running back in with the casing.

#### 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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### Fairway Project, Howard County, Texas

Target Working Interest 60%

#### BOA 12 #1

The BOA 12 #1 has provided a very encouraging start for Target Energy in its Fairway project.

During the testing phase following the frac, oil and water from the deeper Devonian section has migrated into a three of the lower frac stages, inhibiting the flow from the Wolfberry (the Devonian produces at a higher pressure than the Wolfberry) and it has been necessary to isolate a further frac stage to allow the Wolfberry oil to flow. The very high level of activity in the Permian Basin meant that some delays were experienced in mobilising the work-over rigs to the well site to reposition packers and bridge plugs within the borehole.

This work was undertaken this week and the well is back on production from a 414 m (1300 ft) interval in the Wolfberry. Figure 1 shows a schematic of the BOA 12 #1 well.

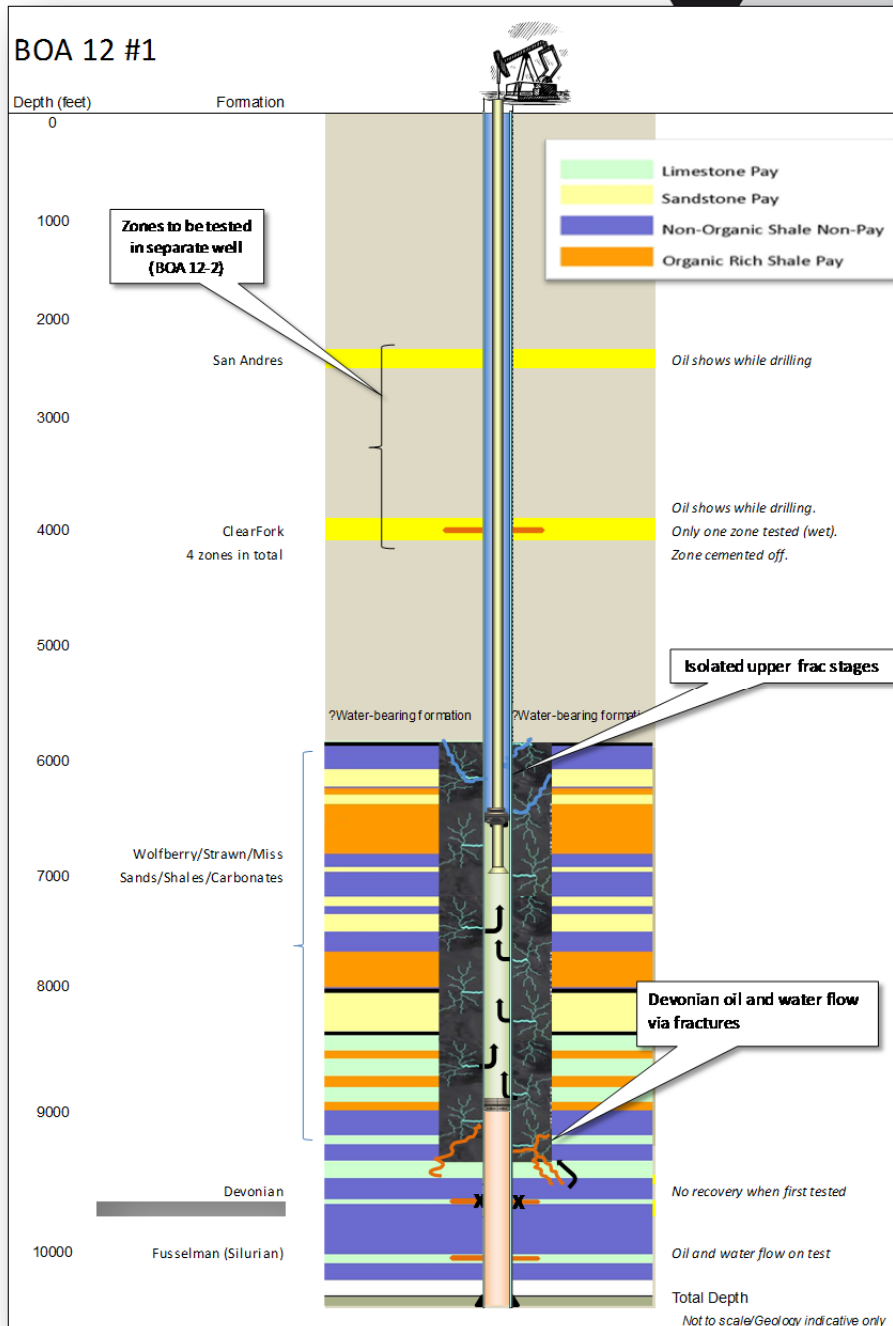
While the current focus is to optimise production from the Wolfberry section, the partners are also investigating bringing the Devonian and Fusselman oil discoveries into production, which could then be commingled with any Wolfberry oil and gas production.

#### Drilling

Drilling locations for the proposed shallow Clear Fork/San Andres well (BOA 12 #2) and the next Fairway Wolfberry/Fusselman well (Darwin 44 #1) have been staked and well drilling permits are being obtained. The wells are presently planned to be drilled back-to-back. Drilling is expected to commence in May.

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**Fig1: BOA 12 #1**

ENDS



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For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in black ink, appearing to read "Laurence Roe".

**Laurence Roe**  
**Managing Director**

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### **Shepard's Channel Prospect - Lafourche Parish, Louisiana**

Target Energy joined the Shepard's Channel Prospect in June 2011 when it agreed to participate in a test of the gas and condensate prospect which it believes had been bypassed in earlier exploration of the area.

Target initially agreed to earn a 7% working interest (WI) in the project, but has since increased its position to 15.3% WI.

The current operations involve re-entering an existing well and completing for production porous and potentially gas-charged sands which were never tested when drilled. The sands were not considered to be prospective and the well was abandoned.

Acquisition of 3D seismic in the region has defined the extent of the untested sands showing them to be deposited in a channel covering approximately 1,200 acres. More importantly, detailed analysis of the well data now strongly suggests that indications of the hydrocarbon potential of these sands were suppressed on the wireline logs and that, if tested, they could have flowed at potentially commercial rates.

Based on the well data and the 3D seismic, there is the potential for this prospect to hold up to 200 Bcf of recoverable gas with 12 million barrels of condensate. Current work at Shepard's well is designed to properly test the sands and to confirm the new analysis. If successful, additional wells will be required to fully develop the feature.