

29 January 2010

Company Announcements Platform  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

## Target Energy commences production at Highway 71 Project

### Highlights

- **Production facilities at Merta #1 complete and well flowing directly to sales line**
- **Completion and flow testing operations remain underway at the 1<sup>st</sup> Meek “B” sand**
- **Large upside potential for improved flow rates at Merta #1**
- **Shallower pay sands encountered at Merta #1 to be completed and tested at a later date**
- **Further drilling likely to be required to fully drain gas accumulations encountered in Merta #1**

US-focussed oil and gas exploration and production company, Target Energy (“Target”) (**ASX:TEX**) has finalised construction of production facilities for the Merta #1 discovery well at its 25%-owned Highway 71 prospect in Wharton County, Texas, with gas now flowing directly into the sales line.

Merta #1 will augment Target’s existing net production of approximately 135 BOEPD and will be the sixth currently producing well for the Company over its three project areas.

### Completion/Flow testing – Merta #1 well

A fracture-stimulation (“frac”) of the 1<sup>st</sup> Meek “B” sand was undertaken on Friday 22 January 2010 (US time). The well recovered load water and subsequently flowed gas and condensate. Analysis of the flow and pressure information has indicated that the frac attained approximately half of its planned length and that a second fracture treatment would be required to achieve the original design objective (the radial nature of the fracturing process means that attaining only half the planned frac length reduces the well’s ability to flow by much more than 50%).

Production facilities have been completed and as of 25 January 2010 the well commenced flowing directly into the sales line at a rate of 300-350 thousand cubic feet of gas per day. The well will be flowed for a short period after which it will be shut-in for a five day pressure buildup test to provide further data to assess the second frac program.

Target’s managing director, Laurence Roe, said that the while the well had officially commenced production its potential for improved flows was still very good.

“During the frac process, we experienced what is called a “screen-out” – an event which effectively limits the extent of the fracturing. In our case we appear to have only achieved half the fracture length that we had planned, which makes a considerable difference to the well’s ability to flow. Subject to our analysis of the new pressure data, we will look at a second frac to complete the job,” said Mr Roe.

“We were impressed that the operator was able to complete the production facilities and tie the well in while the completion program was underway. This has allowed us to commence production and to sell gas that would be otherwise be vented during the testing phase.”

### Ongoing work

A further 14 metres of potential net pay has previously been identified at Merta #1 well in shallower Upper Wilcox and Cook Mountain sands - these will be completed and tested at a later date.

Additional wells are likely to be required to fully drain the reservoirs encountered at Highway 71.

For and on behalf of  
TARGET ENERGY LIMITED

A handwritten signature in dark ink, appearing to read 'Laurence Roe', written in a cursive style.

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