



**Target Energy Limited**  
**April 2011**

**target**  
TARGET ENERGY LIMITED

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



Corporate

# Corporate Snapshot

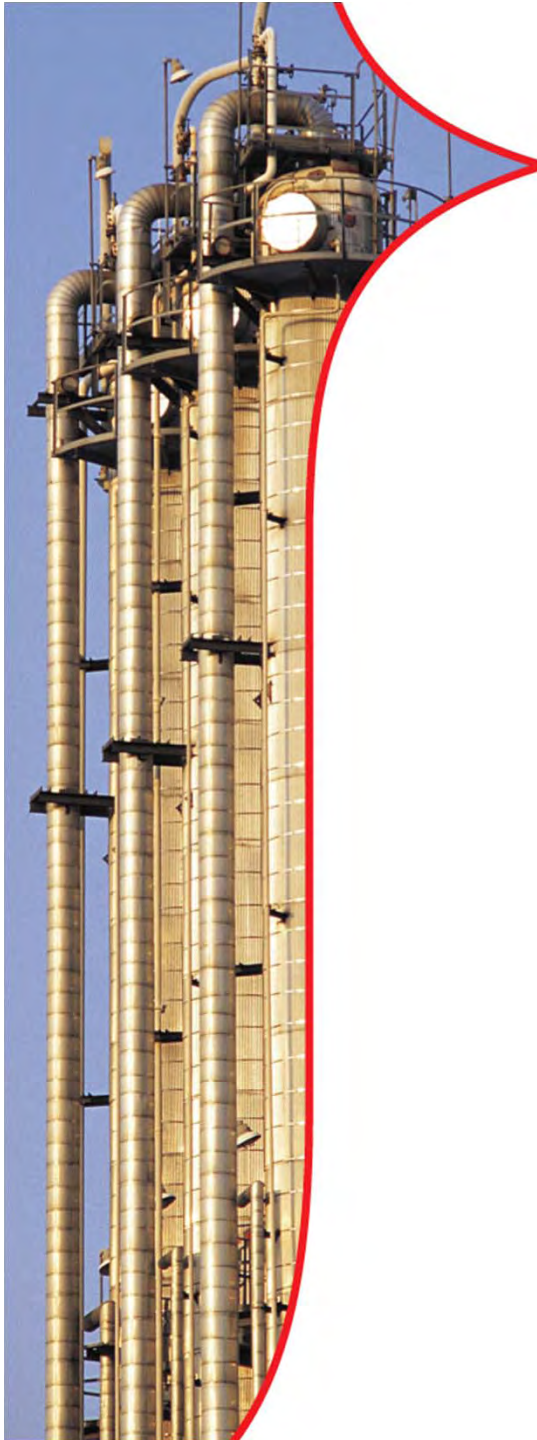


Shares on issue (TEX)				248.3m
Listed options	TEXOB	\$0.10	exp 31 Oct 2012	53.0m
Unlisted options		\$0.20	exp 30 Jun 2011	6.0m
		\$0.12	exp 07 Aug 2011	0.75m
		\$0.05	exp 31 Mar 2012	30.3m
		\$0.07	exp 31 Mar 2013	30.3m
		\$0.10	exp 31 Mar 2014	30.3m
Recent Share price	10.0c		Market Cap	A\$24.8m
Cash (28/02/11)				A\$1.36m
Capital to be raised from Placement/Rights Issue				A\$2.96m

## Directors & Management

Chris Rowe	Chairman
Laurence Roe	Managing Director
Graham Riley	Non Executive Director
Stephen Mann	Non Executive Director
Ralph Kehle	Chairman TELA (USA)*
Mike Martin	Non Executive Director TELA (USA)*
Rowan Caren	Company Secretary
Stephen Morris	Development Advisor

*\*TELA (USA), Inc. is Target's wholly-owned subsidiary in the US*





New Projects  
Resource Plays

# US Resource Plays

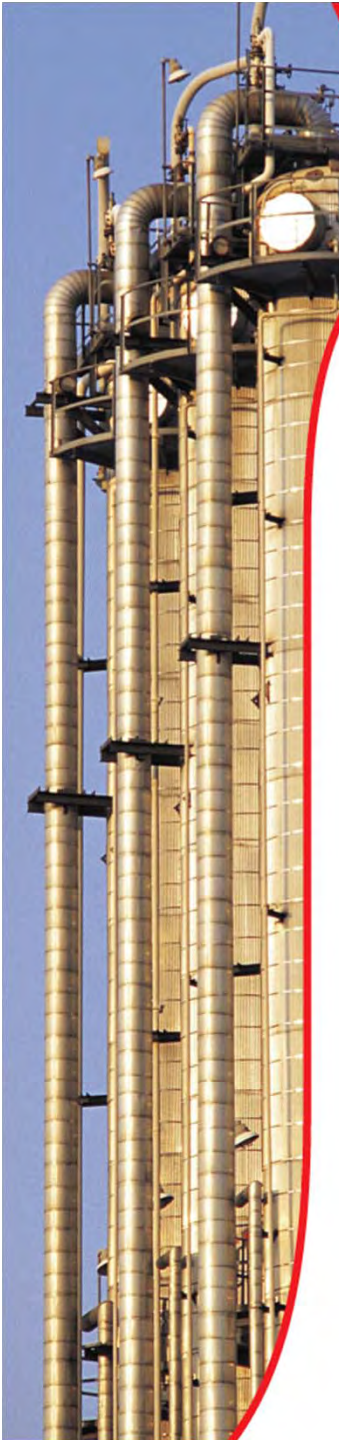
“Resource play” is a term to describe an accumulation of hydrocarbons known to exist over a large areal expanse and/or thick vertical section which, when compared to a conventional play, typically has a lower geological and/or commercial development risk and lower average decline rate. *(Kansas Independent Oil and Gas Association)*

## Key Resource plays in the US

Wolfberry / Eagle Ford / Haynesville / Barnett / Marcellus / Fayetteville / Bakken

**Resource or “Unconventional” Plays - Tight Oil / Gas, Shale Gas -  
are the hottest plays in the US at this time:**

- June 2010, Exxon completes \$31 billion merger with shale gas producer XTO.
- Oct 2010, CNOOC (China National Offshore Oil Company) pays \$1.08 billion for a one-third stake in Chesapeake’s Eagle Ford Shale asset.
- Feb 2011, BHP announces a \$4.75 billion purchase of Chesapeake’s Fayetteville Shale interests.





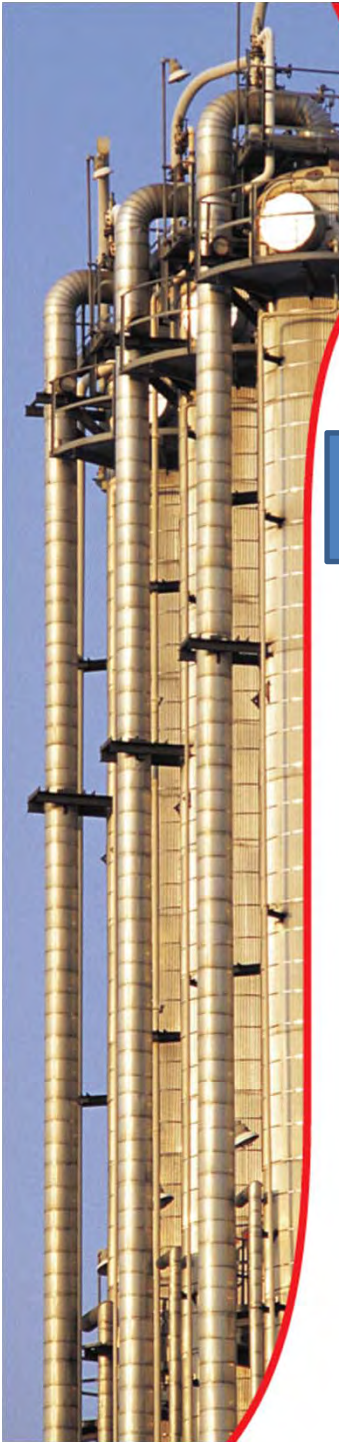
# US Resource Plays

Shale gas plays, lower 48 states

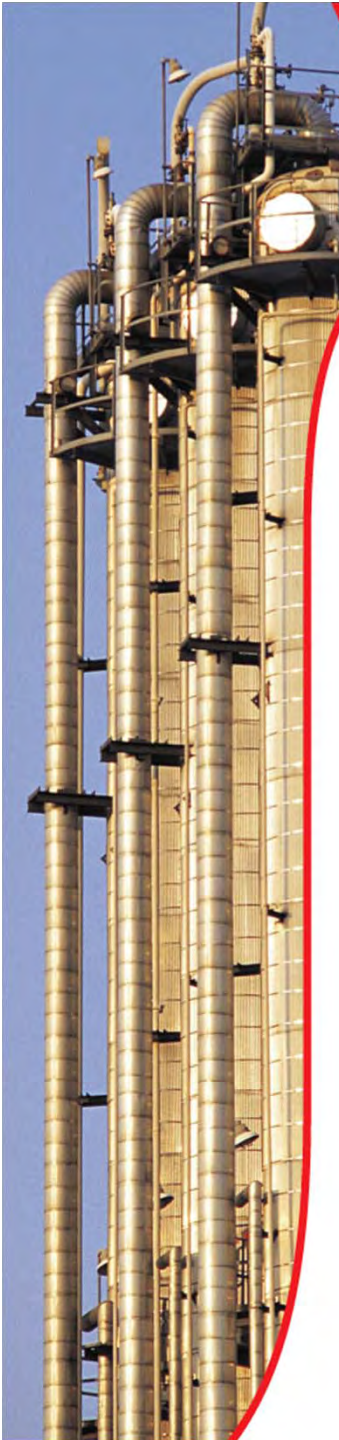
Fairway Project  
– TEX 60%



Source: Energy Information Administration based on data from various published studies. Updated March 2010.

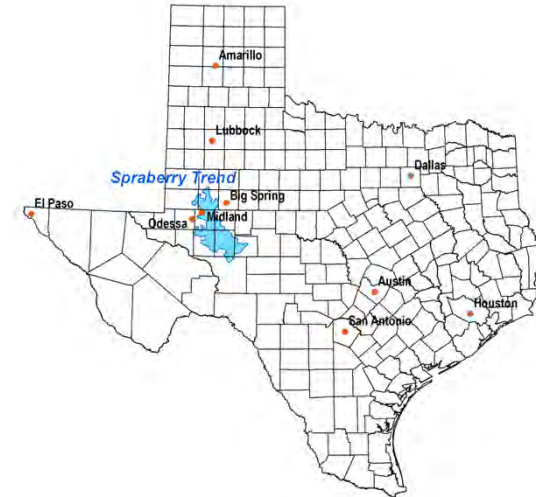


# Wolfberry - An Oil Resource Play



The Wolfberry play, originally named because of the commingling of production from the Wolfcamp and Spraberry Formations, is a major low-permeability oil play in the Permian Basin.

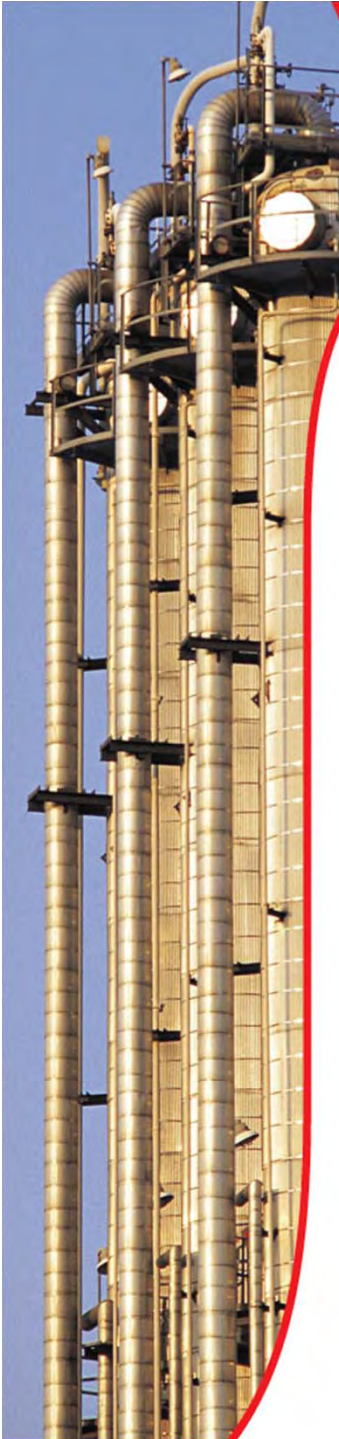
Located principally in western Texas, the Permian Basin is one of the most prolific oil-producing basins in North America. The largest accumulation of oil and gas reserves in the Permian Basin is found in the Spraberry trend, which cover large parts of six counties and has a total area of approximately 2,500 square miles. The Spraberry trend is ranked third in the United States by total proved reserves and seventh in total production.



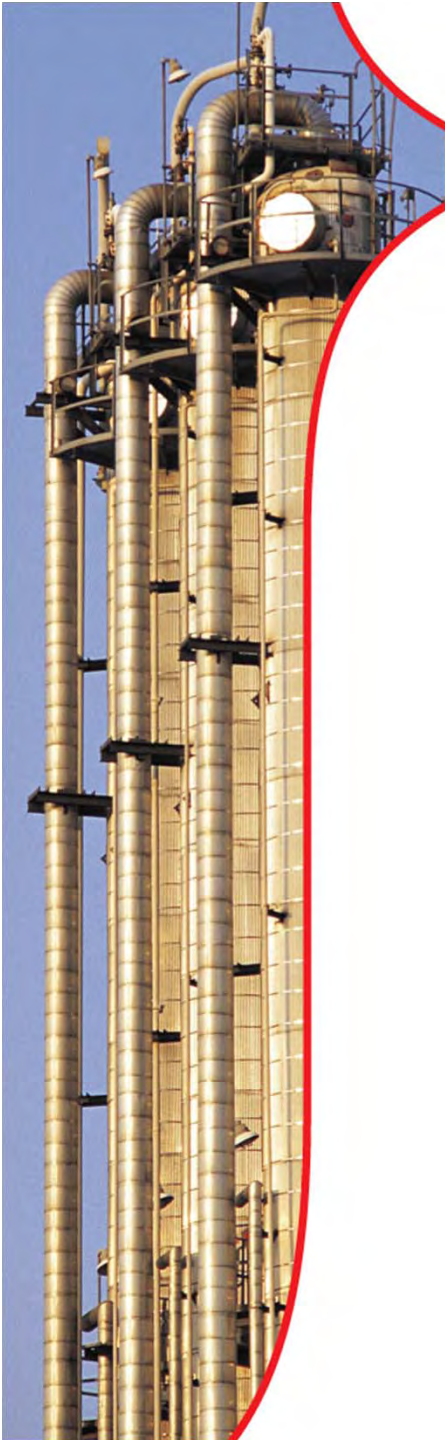
The Wolfcamp, stratigraphically below the Spraberry, is itself a significant producer in the Permian Basin. It is equally well known for its low permeability in most areas in the basin. Advancements in completion methods have made it possible to combine production from the Spraberry and Wolfcamp zones in areas that were previously uneconomic on a standalone basis, achieving robust economic results. The play has continued to evolve to include additional zones below the Wolfcamp; now, Wolfberry refers to any well with commingled production from the Mississippian through the Spraberry. Completions in the Wolfberry are generally anticipated from a 2,500 to 3,000 foot gross interval, and located between 7,000 to 10,500 feet, drilling depth. Completions begin at the bottommost formation, and can include up to 8 to 12 fracture stimulations.

Several senior oil and gas producers such as Concho Resources, St. Mary Land and Exploration, Pioneer Natural Resources, Oxy USA, ExL Petroleum, Mariner Energy, and Cambrian Management, are actively developing the Wolfberry. Nearly 2,000 wells have been drilled since the beginning of the play in late 2007.

## Wolfberry - An Oil Resource Play



- Wolfberry wells typically cost US\$1.2m – \$1.8m to drill and complete (including fracing).
- Multi-stage Wolfberry frac typically targets over 7 separate zones.
- Typical well commences production at 100-115 BOPD, declining to 35 BOPD within 12 months and declining at approx 5% pa thereafter.



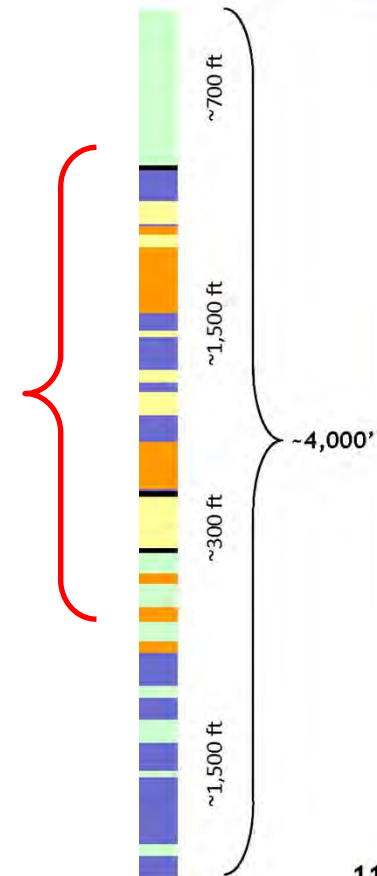
## Spraberry - Stacked Pay Oil Resource Play

PIONEER  
NATURAL RESOURCES

- Approximately 4,000' of gross pay interval from ~6,000' to 10,000'
- Comprised of 4 main traditional pay zones

TARGET COMPLETION ZONES		
	"SPRABERRY" WELL	"WOLFBERRY" WELL
UPPER SPRABERRY	YES	YES
LOWER SPRABERRY	YES	YES
DEAN	YES	YES
WOLFCAMP	YES	YES
DEEP WOLFCAMP	NO	YES

- Additional pay from non-traditional organic rich shale/silt zones

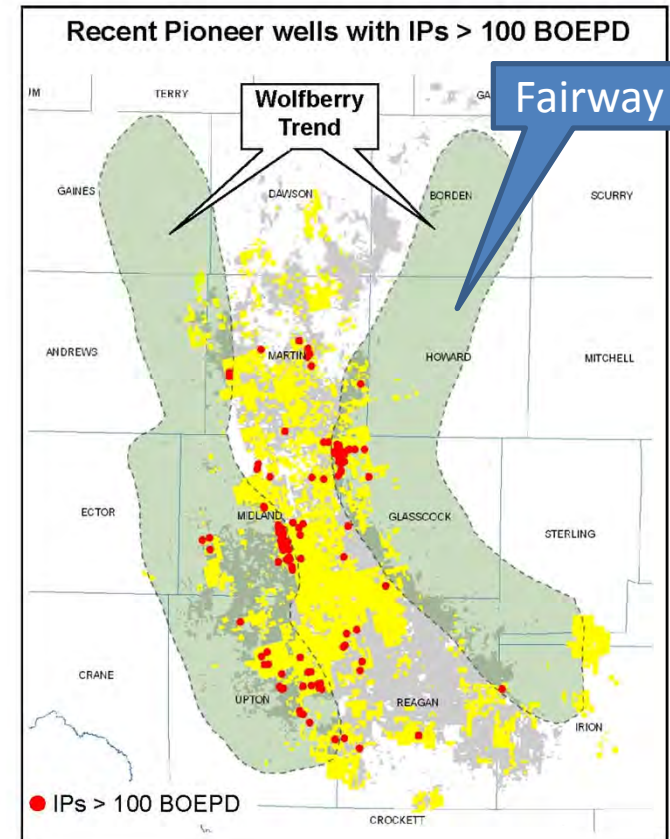


From Pioneer Natural Resources March 2010 Investor Presentation.  
Pioneer is one of the largest companies in the Spraberry/Wolfcamp play.

## Wolfberry

**PIONEER**  
NATURAL RESOURCES

- Proven play with robust well performance
- EURs of 120 - 150 MBOE
- Several hundred drillable locations
- Significant portion of future drilling programs



12

*From Pioneer Natural Resources March 2010 Investor Presentation.  
Pioneer is one of the largest companies in the Spraberry/Wolfcamp play.*

## Wolfberry - An Oil Resource Play



### Pioneer CEO Scott Sheffield Discusses Q3 2010 Results – Earnings Call Transcript

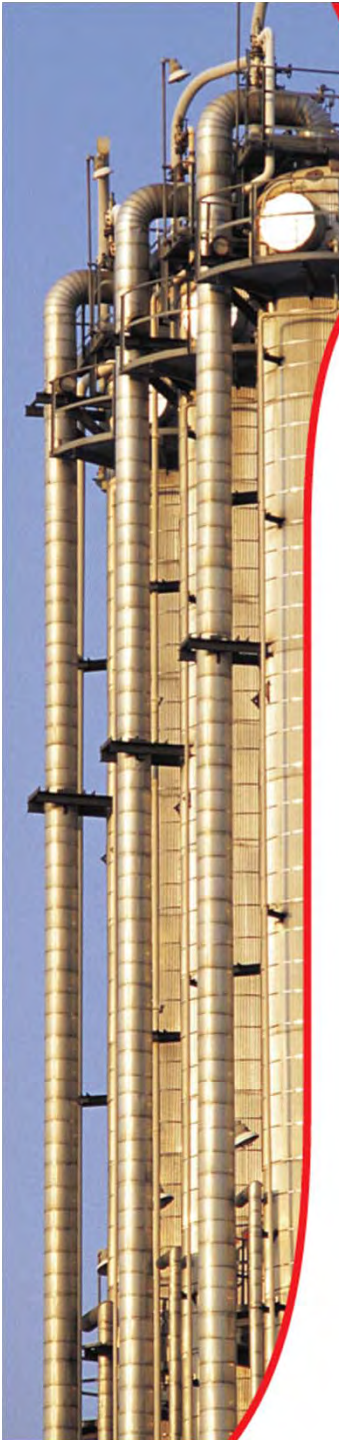
“Production growth is exceeding forecast, primarily driven by the Wolfcamp...We're running 25 rigs. We'll be at 30 rigs by year-end and expect to run 30 rigs during 2011”.

“Of course, Permian Basin activity is very high. It's probably the most active oil drilling field in the lower 48 for about 172 rigs surrounding. And so ours is a significant component of that and that's where we're starting to see significant growth. And in fact, in the third quarter, our production exceeded the earlier forecast we have made in previous guidance by about 1,500 barrels a day. Importantly, the drilling program is on schedule, it's running all the numbers in terms of **drilling 440 wells this year [2010]**...

“The important contributions in terms of the increments have come as I said earlier from the Wolfcamp deepenings, as well as deepening into the Strawn and contributions from the shaley silty [intervals] that were otherwise thought to be nontraditional pay...

“...We continue to do some drilling at least on our **20 acre campaign**. We drilled about 15 wells this year so far on our 20 well campaign and have about the same amount next year. The idea is to continue to collect data for the 20 well campaigns looking forward as we pursue down spacing field wide.

“Importantly, **returns are still very high**. They're over 50% or so on a pretax basis in the field and well cost during the neighborhood of \$1.2 million, \$1.3 million about where they have been. We anticipate production continuing to grow in, fact faster than we had earlier predicted...”



# Wolfberry - An Oil Resource Play



- “Moving to the Permian Basin and our Wolfberry oil play in West Texas, we have more than 140,000 prospective net acres. This play provides **repeatable low risk, high return drilling opportunities**. We currently have three rigs running, and **plan to drill at 80 wells this year**. We have significant running room here with more than 1,000 remained risk locations.”

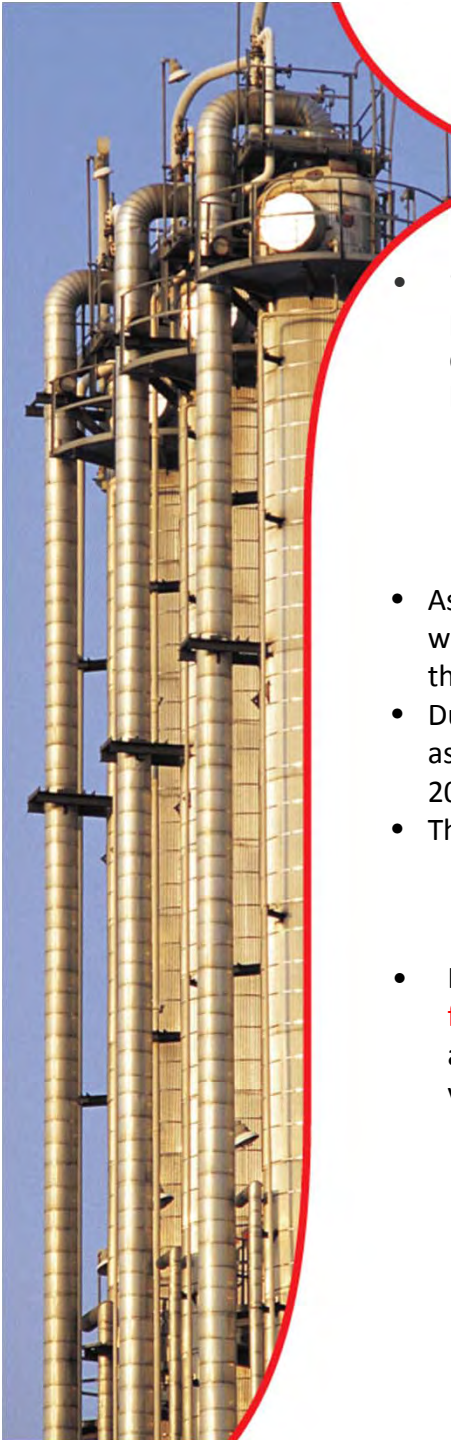
*Devon Energy Corporation Q4 2009 Earnings Call Transcript 17 Feb 2010*

- As of December 31, 2010, on the Company’s Texas Permian assets 1,800 drilling locations were identified, with proved reserves attributable to 1,094 of such locations. Of these 1,800 drilling locations, 1,742 target the Wolfberry play.
- During 2010, we commenced drilling or participated in the drilling of 313 wells, of which 225 were completed as producers, one was unsuccessful and 89 were in various stages of drilling and completion at December 31, 2010.
- The primary objective in the Texas Permian area is the Wolfberry in the Midland Basin.

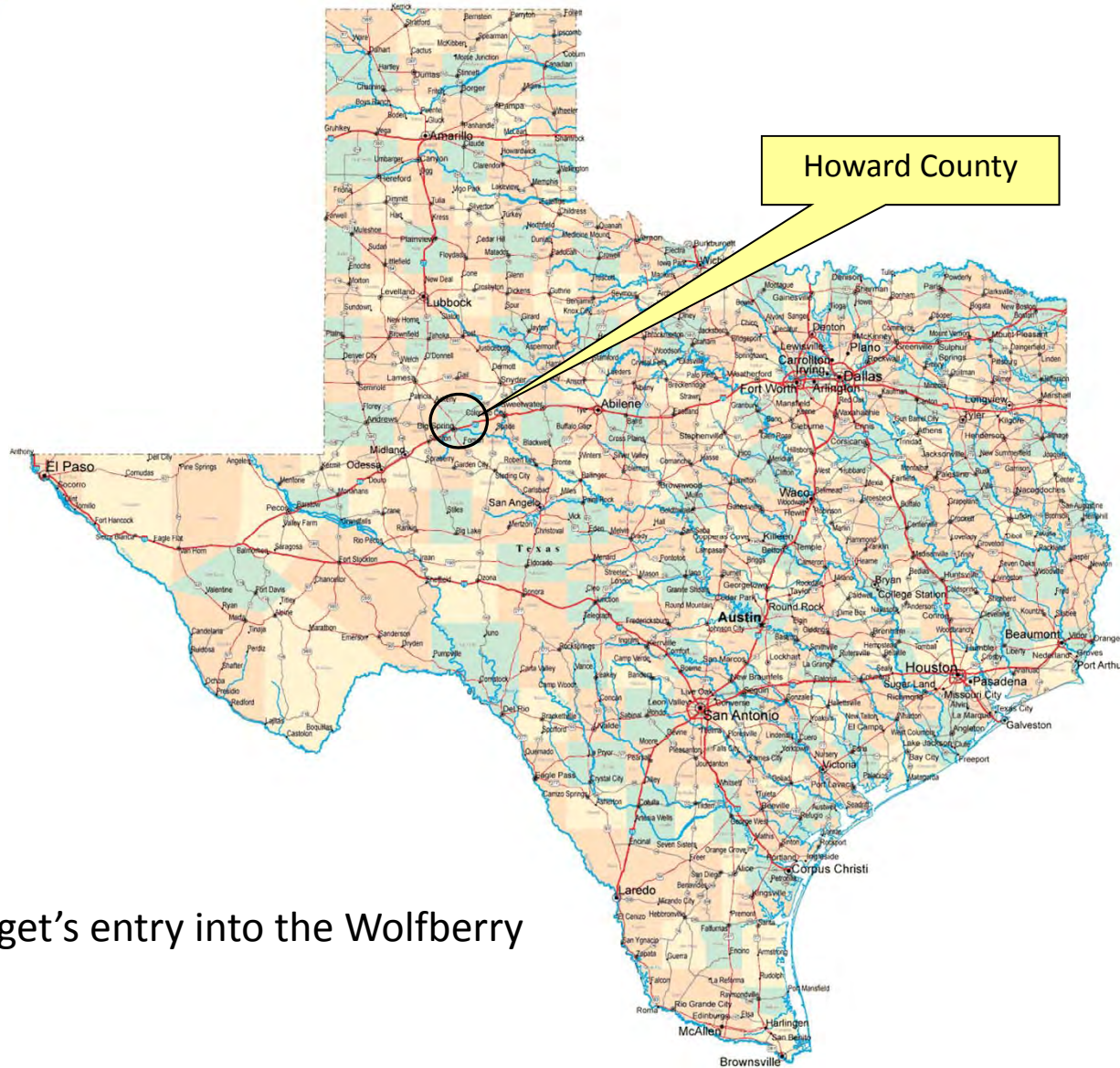
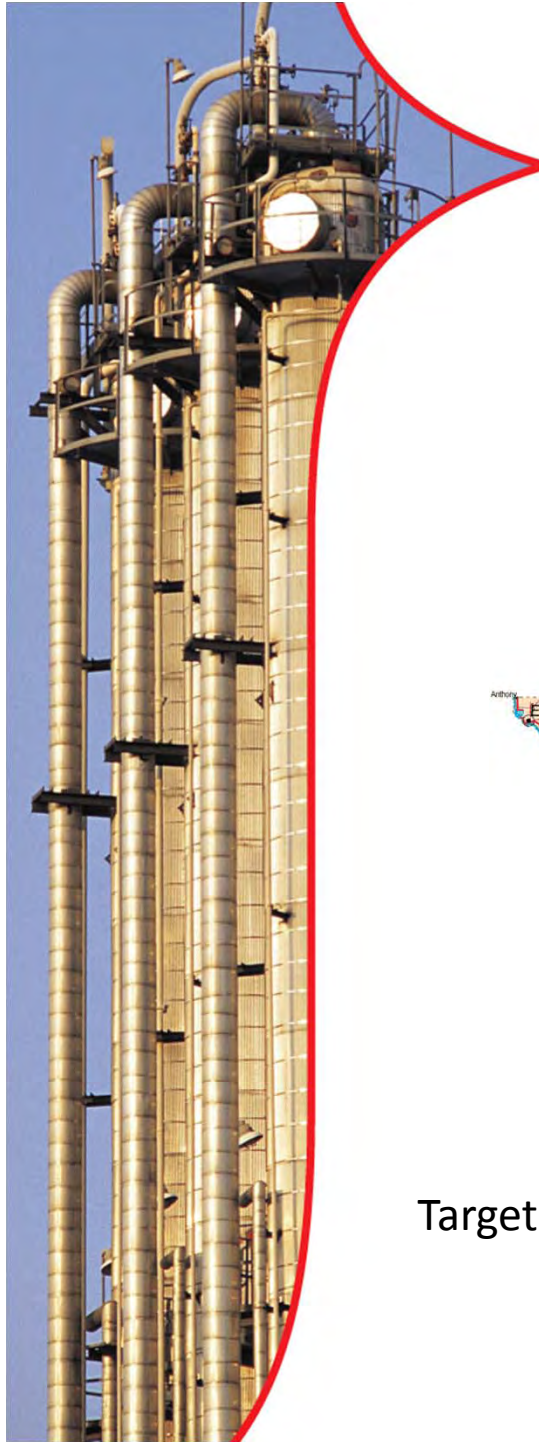
*Concho Resources (<http://www.conchoresources.com/ops-texas.html>)*

- In the Permian Basin, the company will operate 89% of its capital investment, over **half of which will be focused on Wolfberry tight oil projects**. The 2010 program includes 32 wells at the operated Sweetie Peck asset and is designed to continue Wolfberry development. It also includes six 20-acre wells to test the viability of increased density drilling in portions of the play.

*St. Mary Land & Exploration Provides Capital Budget, Production Guidance For 2010 - Update 16 Dec 2009*



# Fairway Project - Howard Co, Texas

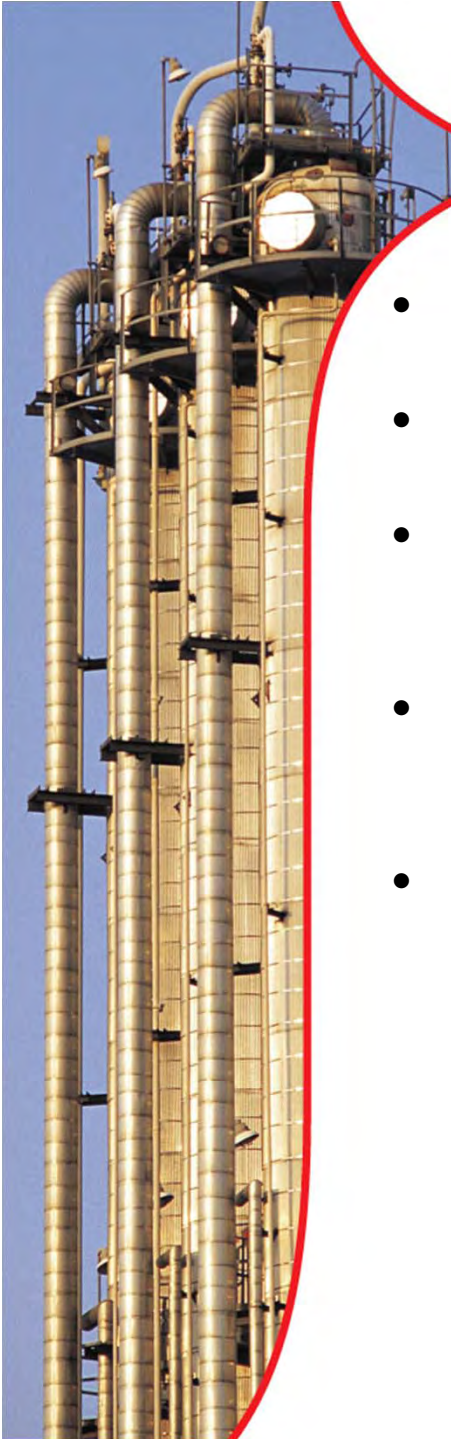


Target's entry into the Wolfberry

## Fairway Project - Howard Co, Texas



- Target Energy Working Interest 60%
- Current Net Mineral Acres: approx 1,500
- Acreage is tightly held in the area but there is some opportunity to expand acreage position
- Two wells to be drilled in late Q2/early Q3 with two or three more possible later in year
- Estimated number of locations that can be proved up by this program:
  - At 40 acre spacing 32
  - At 20 acre spacing 69

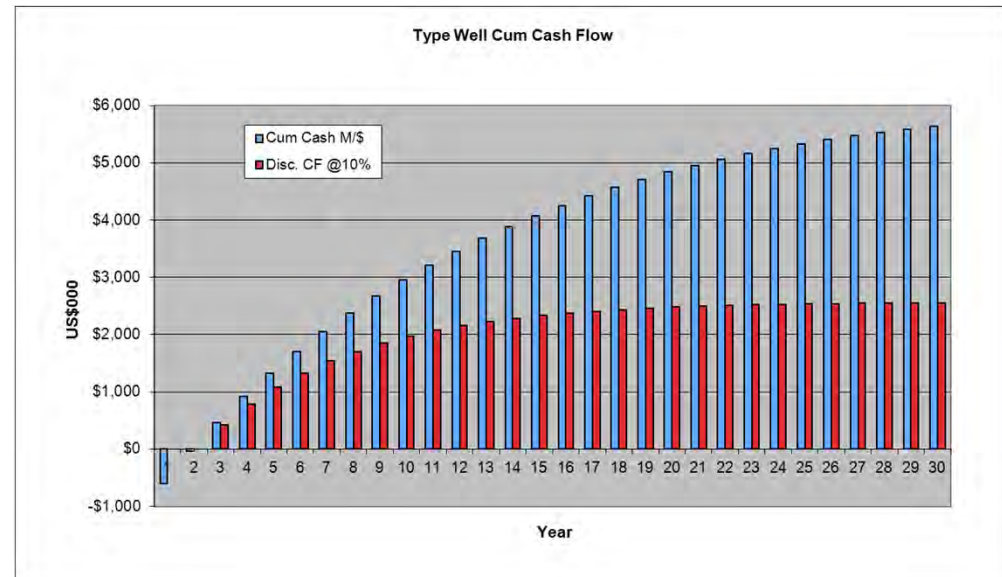
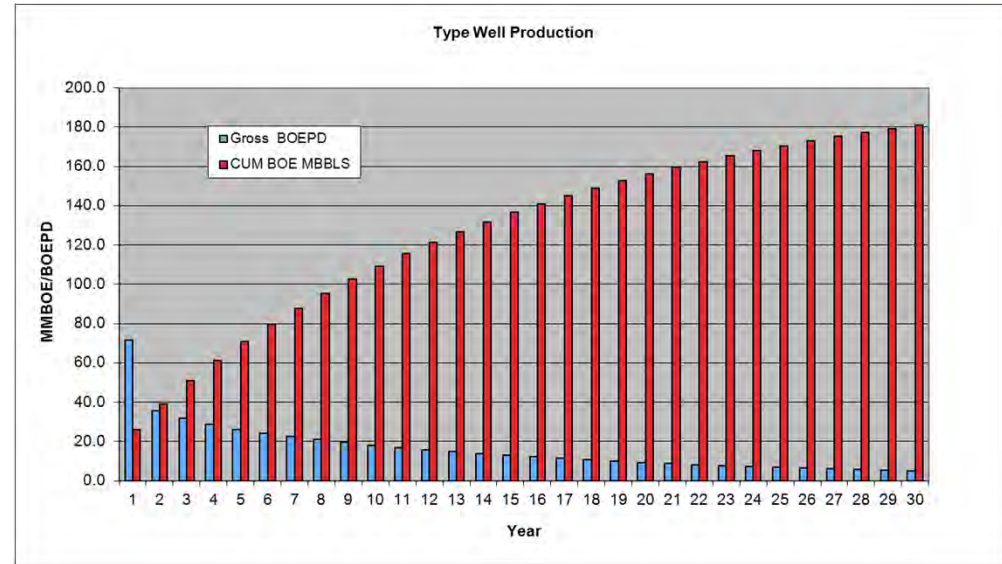


# Fairway Project - Howard Co, Texas

Type Well  
(Wolfberry plus  
additional zones)

30 year production life  
Recovers app 180 MBOE

Well payout in 25 months



# Fairway Project - Howard Co, Texas

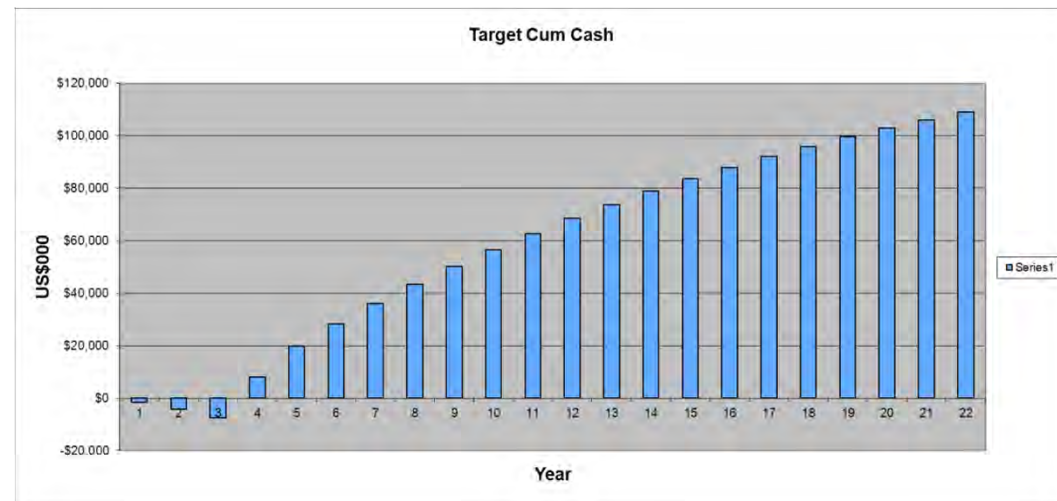
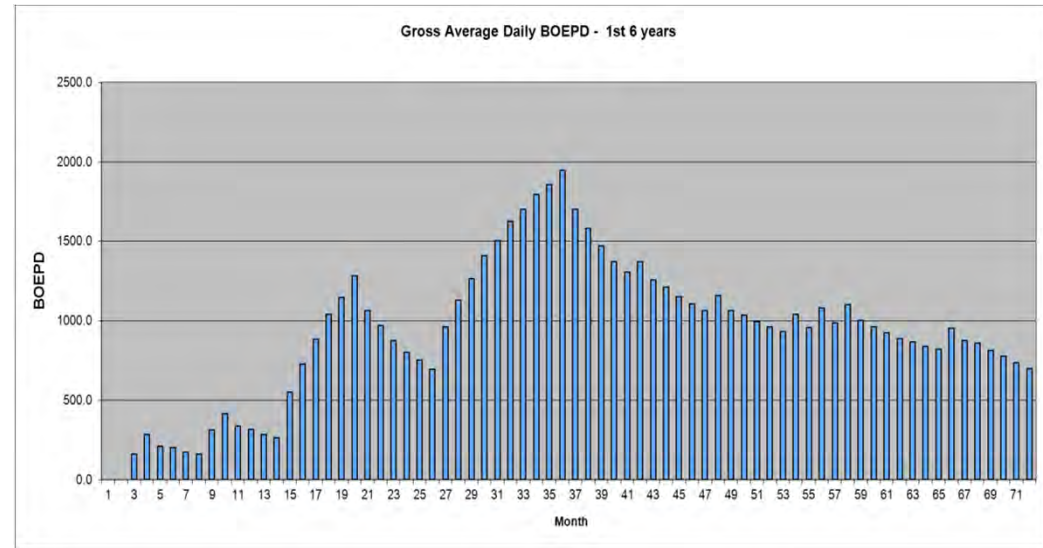


## 36 Well Program (model)

Production peaks at  
>1900 BOEPD in 36 months

The 36 well model indicates up to 4.75 mmBOE prodn in 22 years; could generate >\$100m in cash for TEX (undiscounted).

Model assumes all 36 wells successful in Wolfberry with 10 successful in Fusselman as well. US\$75/bbl oil escalated at \$5/bbl/yr to \$100/bbl, then flat.



# US Resource Plays

Shale gas plays, lower 48 states

Buffalo Project  
– TEX 50%

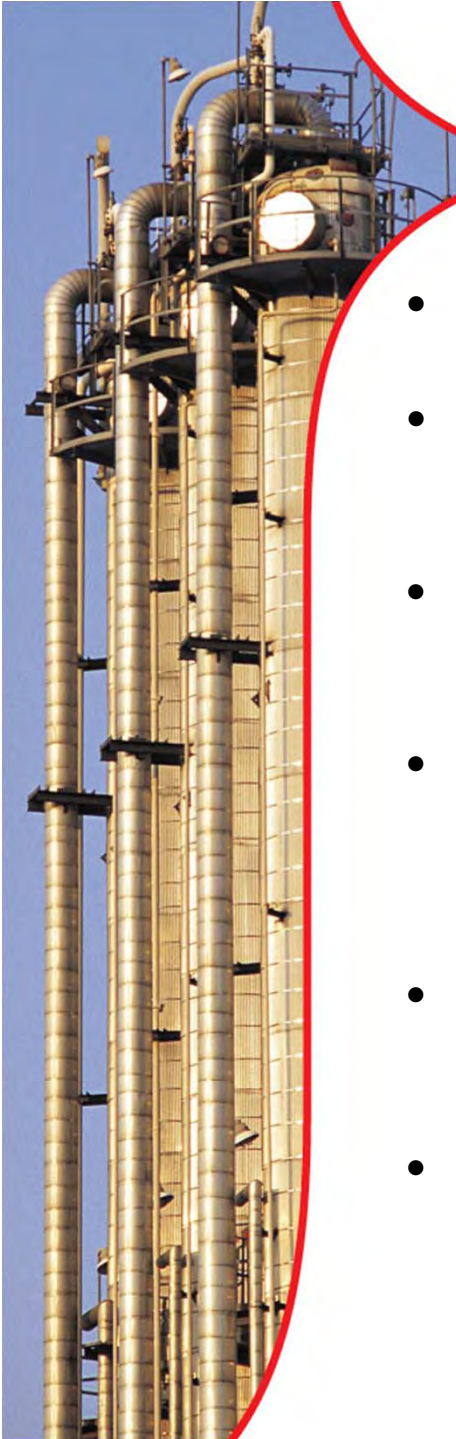


Source: Energy Information Administration based on data from various published studies. Updated March 2010.

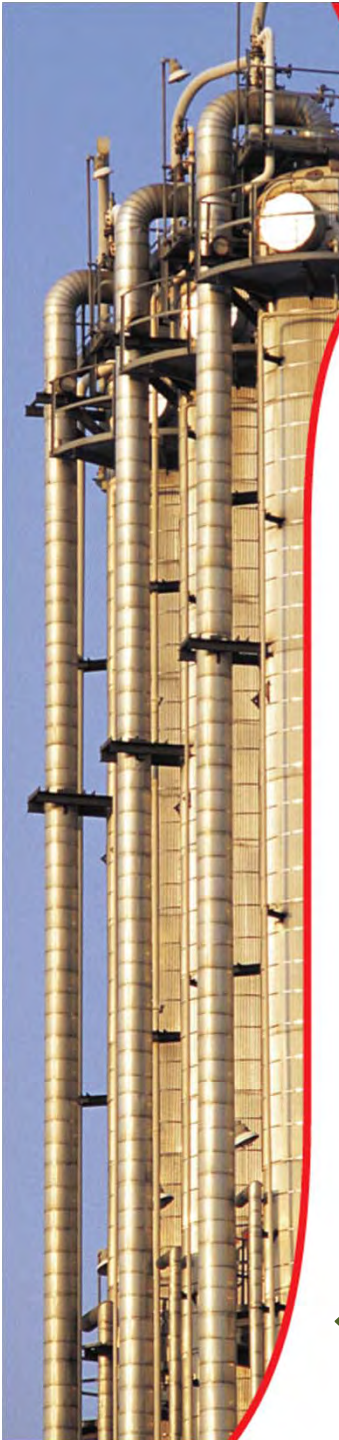
## Buffalo Project - South Texas



- *Target Energy testing a new Resource Play concept*
- *Numerous wells in the project area had untested shows in a sand/shale interval, up to 1200 feet thick*
- *Target considers that this interval could respond well to fracture stimulation.*
- *Target reached agreement with leaseholders to earn a 50% interest in a 13,000 acre area by fracing 2 wells and drilling and fracing a horizontal well in the key interval. Each stage is at Target's discretion.*
- *Initial well to be fraced in two stages. First stage due in next few weeks (mid April). If successful Target will move on to the second frac.*
- *Risk in an untested concept, but upside is immense.*



# Buffalo Project - South Texas



- Stage 1 will be fraced and flowed back
- Stage 2 will be fraced approx 30 days afterwards

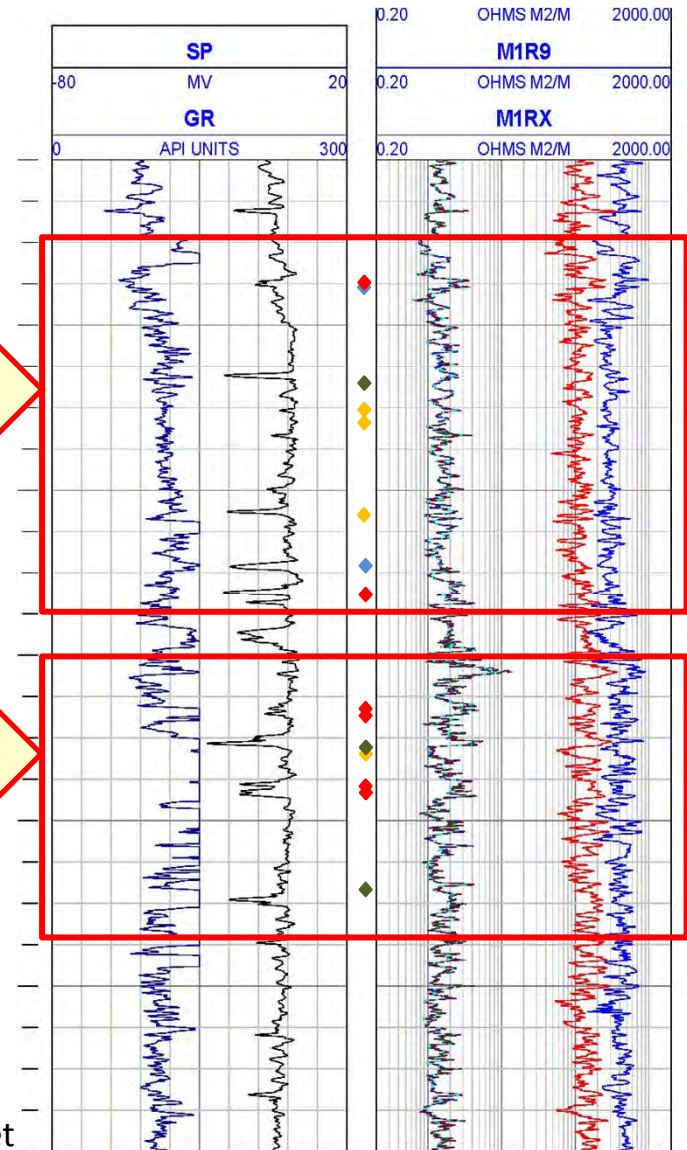
2nd Stage – approx 400ft interval

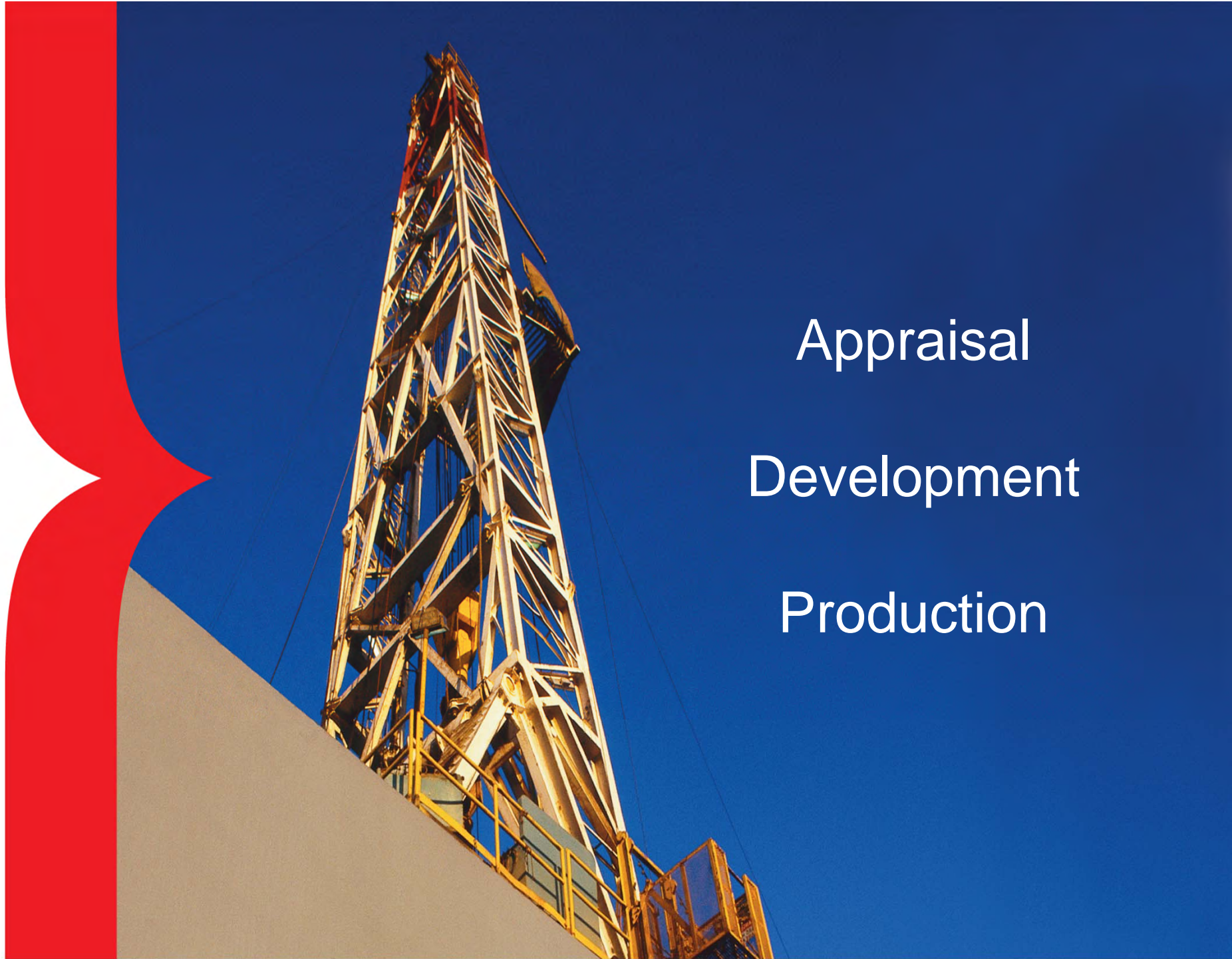
Sidewall cores show 2 gas and 1 oil zone, with 3 tight zones and 2 wet samples

1st Stage – approx 350ft interval

Sidewall cores show 4 gas and 2 oil zones and 1 tight sample

◆ Side Wall Core results  
Green = Oil; Red = Gas; Yellow=Tight; Blue = Wet





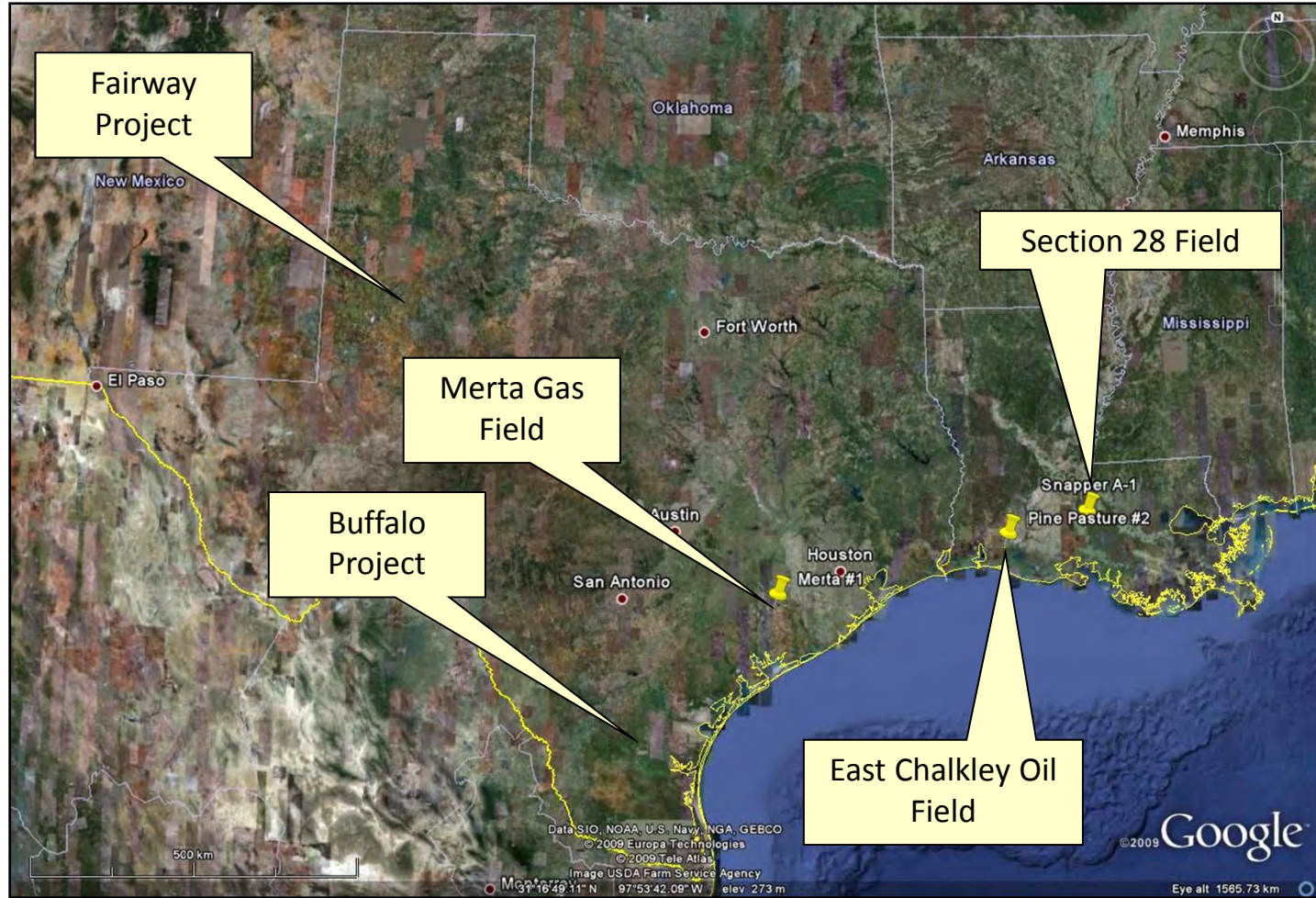
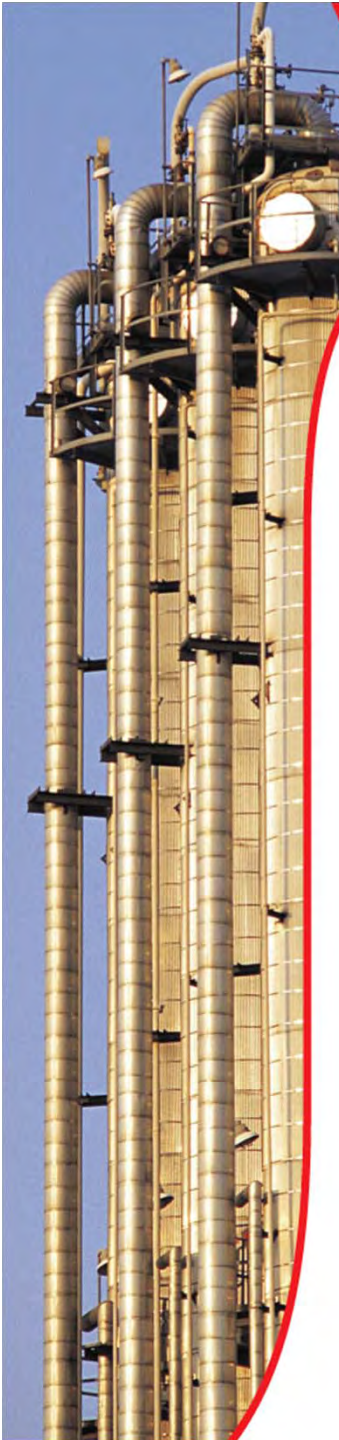
Appraisal

Development

Production

# Target Energy Projects

## Texas & Louisiana



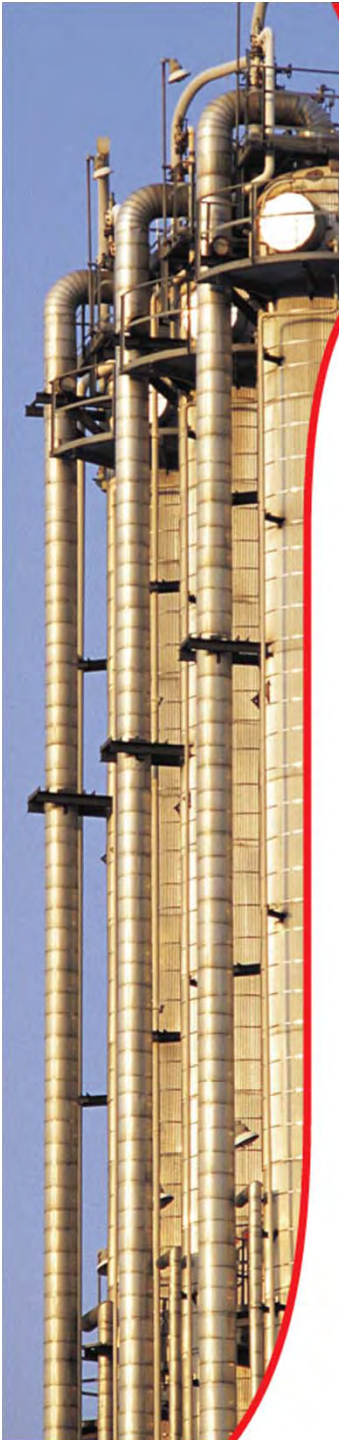
## East Chalkley Field, Cameron Parish, Louisiana

Target Energy Working Interest 35%

- 2011 Independent Technical Specialist (RISC Pty Ltd) report on East Chalkley confirmed most likely technically recoverable reserves and resources (“2P/2C”) of **1.7 MMBO** with an upside (“3P/3C”) estimate of **4 MMBO**.
- Field producing approx 90 BOPD from Pine Pasture #1, #2 wells.
- Pine Pasture #3 Development well – potential Initial Production of 200-300 BOPD – deferred by operator.
- Potential for up to 6 appraisal/development wells + 2 injectors to develop down dip sector plus additional development well + 1 injector updip from existing production.
- Based on reserves from RISC report, Target estimates East Chalkley’s (“most likely”) NPV10 value at **US\$12.1 million net to Target** with a (“upside”) PV10 value of **US\$31.8 million net to Target**.



East Chalkley Tank Battery



**East Chalkley Oil Field – Cameron Ph, La      TEX WI: 35%**

**Production:** Alliance W2 sands – approx 90 BOPD  
Pine Pasture #1  
Pine Pasture #2 (2008)

**Section 28 Project – St Martin Ph, La      TEX WI: 25%**

**Production:** MgTex/Hackberry – app 550 mcfgd + 20 BOPD.  
Snapper #A-1 (2007)  
Snapper #A-2 (2008)  
Snapper #A-3 (2009)  
Multiple pay zones in all wells.

**Highway 71 - Wharton Co, Tx      TEX WI: 25%**

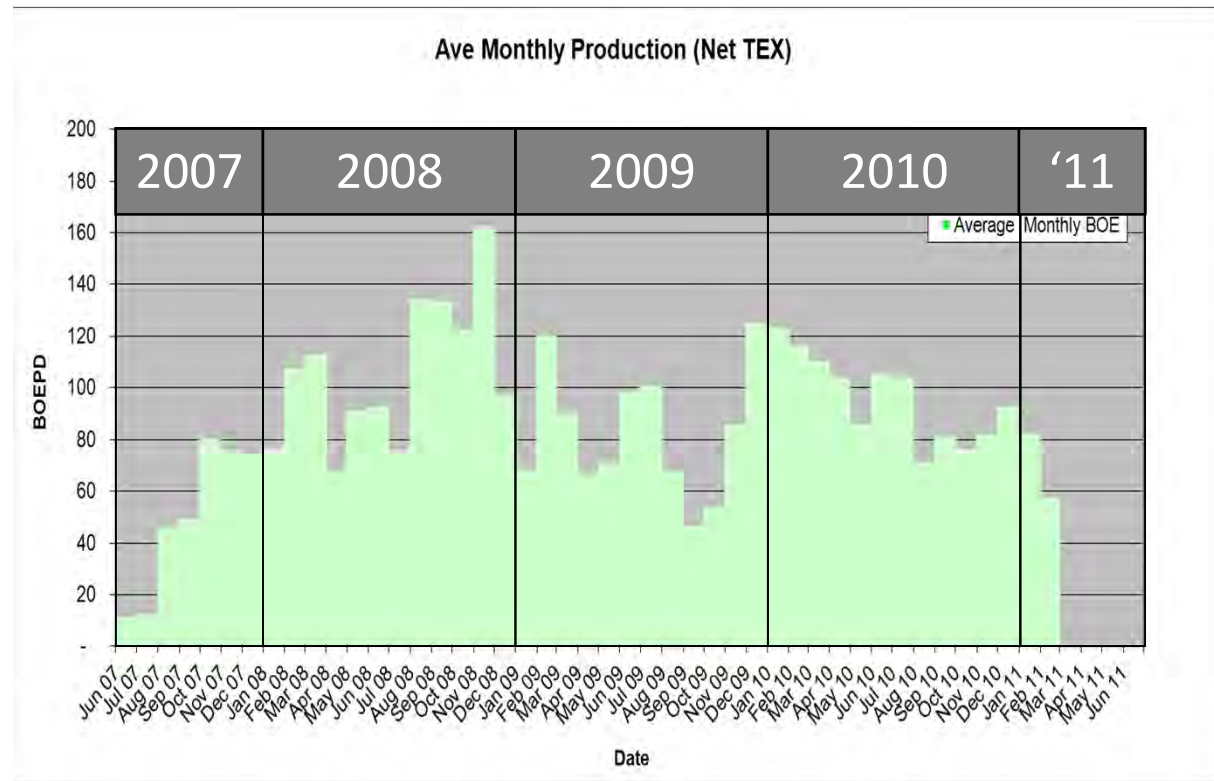
**Production:** Cook Mountain – approx 350 mcfgd + 5 BOPD  
Merta #1 (2009)



# Production

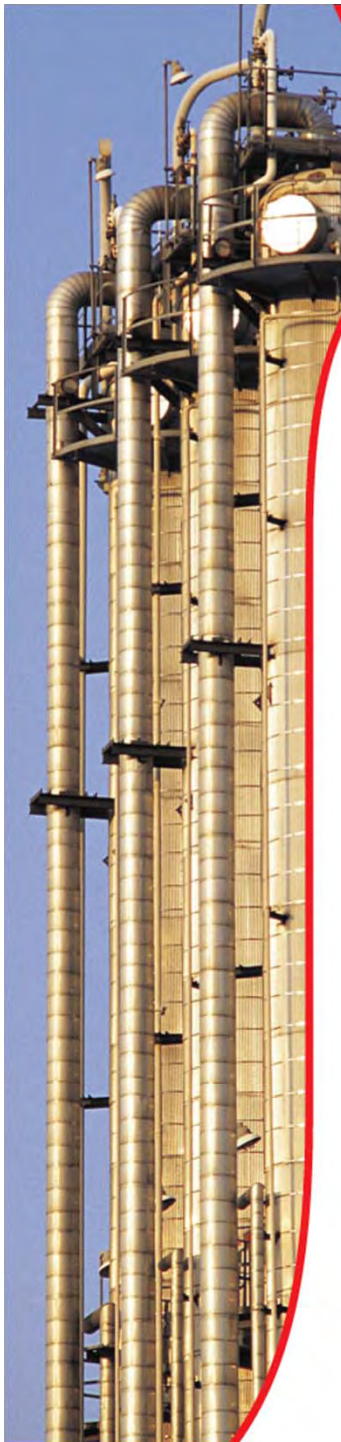


Production (net WI) currently average 80-90 BOEPD\*



Target Energy production (BOEPD, net TEX WI)

*\*Lower Feb production due to Pine Pasture being temporarily offline to deal with pump and icing issues*



# Reserves

## Audited Reserves & Exploration Potential (net to WI/NRI)

Audited Reserves* (000 BOE)	Proved & Probable	Possible	Contingent (Best Estimate)	Contingent (High Estimate Increment)	Total
31/12/10	205.3	137.2	263.0	442.6	1048.1

Estimated Reserves+ (000 BOE)	Proved & Probable	Possible	Contingent (Best Estimate)	Contingent (High Estimate Increment)	Total
Highway 71	34.7	14.9	0	0	49.7

Total	240.1	152.1	263.0	442.6	1097.8
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\*East Chalkley: Audited Reserves updated to 31/12/10

\*SML A1, A2, A3: Audited Reserves update to 31/12/10.

+Highway 71: Estimate Only



Upcoming  
Activity

# What's coming up for Target Energy



## Resource Plays:

Fairway / West Texas – 2 new wells in late Q2/Q3  
Buffalo / South Texas – Initial Frac program in April

## East Chalkley Oil Field Development:

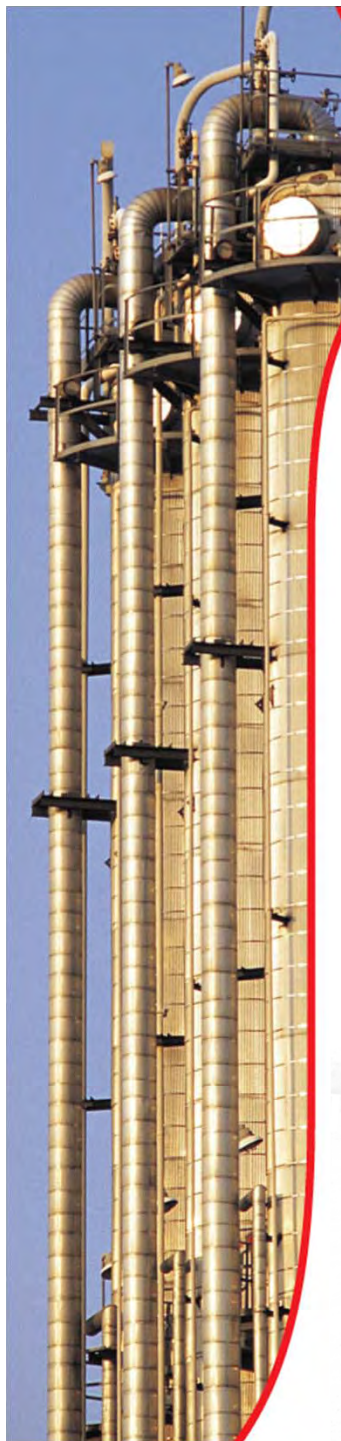
Pine Pasture #3 Well (timing to be confirmed)  
Further Appraisal/Development Drilling

## Ongoing Production:

Section 28 Project Area  
East Chalkley Oil Field  
Highway 71 (Merta #1)

## Continue evaluation of new opportunities:

Corporate  
Technical





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