



Friday 17 April 2015

Jack Howe #1H Lateral Progress - Normangee Oil Project

- Sun to re-bid the multi-stage hydraulic fracturing programme on the Jack Howe #1H lateral – currently targeting June 2015 for the fracking operation.
- Expecting to deliver a 20% well cost reduction with potential for US\$4 million gross revenue in the first 12 months of flow back (based on the best offset well results).
- Expected pay-back on the frack cost would be circa 12-18 months at US\$50 oil price
- Both EOG and Presco have reported offset horizontal well completions in the Buda Formation that lies immediately beneath Sun's primary target Lower Woodbine Formation.
- These two completions, within 8 miles (13 km) of Sun's Normangee, Lower Woodbine lease position confirm the oil potential of a second horizon within the Normangee Oil Project area.
- The one-day flow period (1-day IP) reported for the EOG-operated Golden Wave #1H well was 330 bopd.
- The Presco Samuel #1H (Buda) and Zeus #2H (Lower Woodbine) horizontal wells have not yet been fracked as the Operators wait on an anticipated oil price recovery during 2H 2015.

Sun Resources NL ("**Sun**" or "**Company**") (ASX: SUR) is pleased to provide an update on the status of its planning for the execution of the multi-stage hydraulic fracturing programme (fracking) in the Jack Howe #1H lateral.

Targeting June 2015 for frack of Jack Howe #1H, Normangee Oil Project (Sun 50%WI)

There have been a number of industry reports that have pointed to 15-40% reduction in drilling rig day rates as a consequence of approximately 50% fall-back in rig utilisation rates in the USA. As a consequence, operators are looking for similar reductions in multi-stage hydraulic fracturing services. This effort should lead to more positive economics in the unconventional Lower Woodbine play in East Texas, even at US\$50 oil price. Sun is therefore re-bidding the frack AFE for the Jack Howe #1H well ahead of an expected start-up of the operation in June 2015.

Sun has completed internal economic analyses that indicate approximately US\$4 million of net revenue (100%WI) could be generated in the first year of flow back, based on the best offset well production rates. This would deliver pay-back within 12-18 months of the investment in the frack. Sun also believes a 25% reduction in costs across both drilling and completion could deliver positive economics for future development of the Normangee Project, even at US\$50 oil price.

Sun has engaged with a number of local companies with a view to negotiating a farm-in agreement to help fund the frack at Jack Howe #1H. This effort is speculative in nature at this time and further effort is required before anything of a material nature can be reported to the market. Also, Sun is excited about the potential for the Buda-Georgetown formation to provide a second layer [or 'bench'] of potentially commercial oil resources within Sun's Lower Woodbine land position, as well as exploration potential across Sun's Delta Oil Project leases. However, this will be the focus of future drilling efforts, once the Lower Woodbine of the Normangee Oil Project is confirmed.

EOG Completes a Buda Formation Lateral Oil Well Near Sun's Normangee Oil Project

According to reports lodged with the Texas Rail Road Commission ("RRC") and reported in the scout service "DrillInfo", EOG Resources Inc ("EOG") has completed the Golden Wave Unit #1H, as the fourth well completion on the Grove Unit 4-well pad, in the Buda Formation (Figure 1). The report filed with the RRC for the Golden Wave Unit #1H well shows a 1-day IP of 330 bopd with a GOR of 727 cubic feet per barrel, just 8 miles (13 km) west of the Jack Howe #1H location. Oil and gas shows were recorded while drilling through the Buda-Georgetown formations in both Sun's Jack Howe #1 and Seale #1 vertical pilot wells (figure 2).

As recently reported, EOG has successfully drilled and completed 11 'laterals' in the Lower Woodbine target, to the east and west of Sun's Normangee Oil Project, and delivered a range of 30-day initial production rates of between 200-600 bopd. The most recent EOG lateral completions, Zeus #1H and #2H were drilled and successfully completed only 6 km east of Sun's Jack Howe #1H lateral well. Zeus #1H is currently in production, having delivered a minimum 500 boepd 30-day IP, as reported and Zeus #2H is awaiting a recovery in oil prices ahead of a multi-stage fracking operation.

Sun further notes that another operator in the area, Texas Presco, Inc., has successfully drilled and cased its first horizontal well targeting the Buda Formation; Samuel #1H. This well is located midway between Sun's Normangee and SW Leona Oil Project areas and immediately north of the EOG-operated Zeus #1H & 2H wells. Strong hydrocarbon shows were reported while drilling up to 8,000 feet of horizontal section in the Samuel #1H well.

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Geological information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Batrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 34 years' experience in the practice of petroleum geology. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States nor there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the registration requirements or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws. This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

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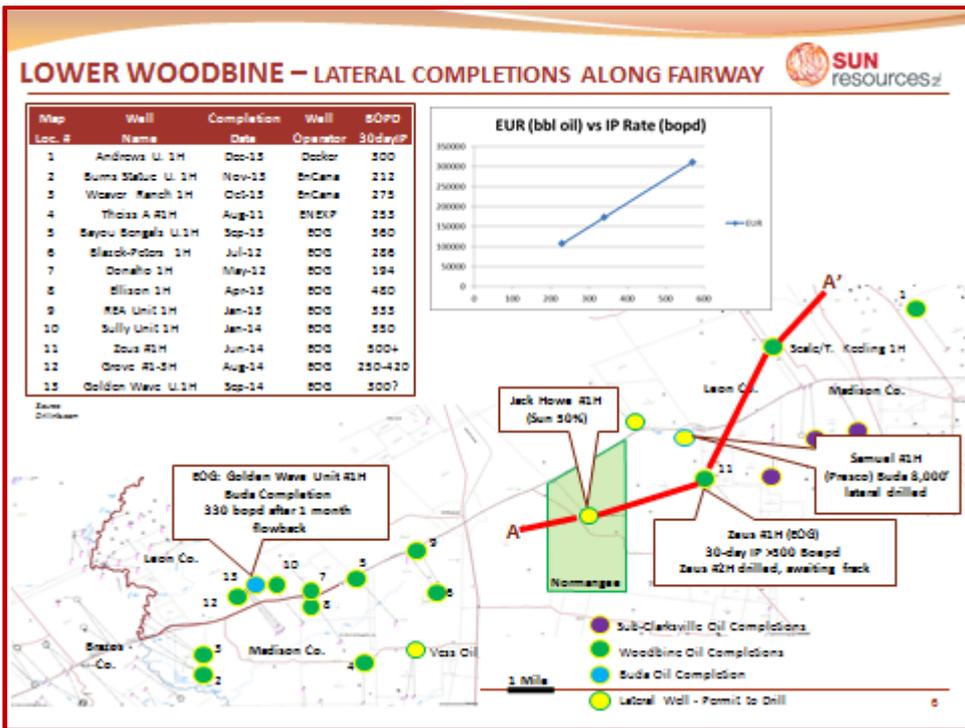


Figure 1: Location of EOG's Lower Woodbine and Buda Formation Oil-producing lateral wells and relative position of Sun's Normangee and SW Leona Oil Project areas

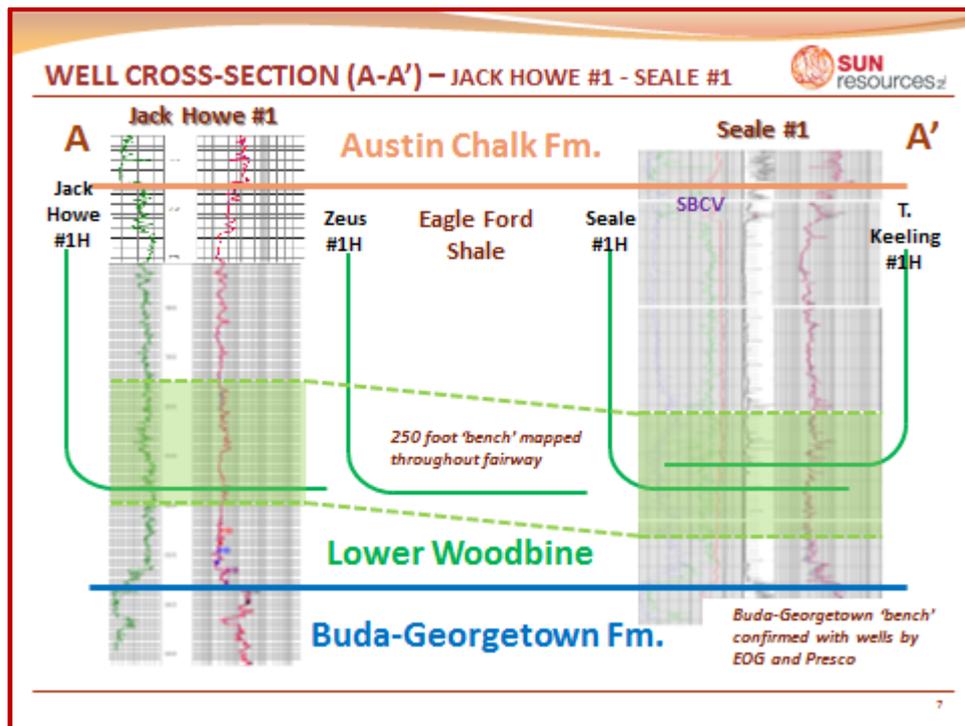


Figure 2: Well cross-section A-A' showing relative position of Lower Woodbine and Buda Formation Oil-producing zones.