

## ASX Announcement

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### Talon Petroleum Limited

ABN 88 153 229 086

#### Head Office:

Level 16, 344 Queen Street  
Brisbane, Qld Australia 4000

Postal: GPO Box 402

Brisbane, Qld Australia 4001

Telephone: +61 7 3211 1122

Fax: +61 7 3211 0133

#### US Office:

Suite 280, 20445 State Highway 249  
Houston, Texas, 77070, USA

Telephone: +1 281 419 4976

Fax: +1 281 419 4930

#### Directors:

Jeff Forbes (Chairman)

Bruce Cowley

Angus Douglas

Clifford Foss

#### Company Secretary:

Anastasia Maynes

#### Contact:

Clifford Foss

President, CEO & Managing Director

+1 281 419 4976

[cfoss@texozep.com](mailto:cfoss@texozep.com)

or:

Jeff Forbes

Chairman

+61 7 3211 1122

[jeff.forbes@talonpetroleum.com.au](mailto:jeff.forbes@talonpetroleum.com.au)

#### Website:

[www.talonpetroleum.com.au](http://www.talonpetroleum.com.au)

## First well commences at MR Olmos Project

Talon Petroleum Limited (ASX: TPD) is pleased to announce that the first horizontal test well for its MR Olmos Project has commenced.

The Company's first horizontal test well for its Mosman Rockingham (MR) Olmos Project located in McMullen County, South Texas, the Quintanilla OL 1H, has begun operations. The well is scheduled to drill to a proposed measured depth of 13,600MD feet (9,150 feet TVD) in approximately two weeks.

Fracking operations in the approximate 4,300 foot lateral section of the well are anticipated to occur after the well is drilled and casing is run. Initial planning for as many as 14-frac stages will be evaluated prior to final pumping. Frac timing will be driven by the availability of high quality frac companies and crews.

With Talon having approximately 3,800 gross leasehold acres, there is potential for an additional 14 horizontal well locations in which the Company currently has approximately 3,620 net leasehold acreage with WI varying between 10% and 100%. Based on nearby analog horizontal well performance, the gross contingent resource potential (1C) is estimated to be in a range of potential outcomes of 235-327 mboe/well.

Talon has minimised its initial horizontal test well cost to approximately US\$550,000 (10% WI) in the 199 acre Quintanilla drill site lease, while retaining a strategic 100% WI in the remaining 3,600 acres of the project, subject to third parties' options to acquire collectively a 50% WI in the remaining acres exercised collectively by payment of US\$1,059,000 to Talon within three months after placing the Quintanilla OL 1H well on production.

Talon is looking to expand its MR Olmos position to increase the number of potential wells. A letter of intent has been negotiated with an offset operator to evaluate the commercial outcome of joining acreage to increase the program area to include approximately 25 wells (inclusive of Quintanilla OL 1H and 14 potential horizontal well locations referred to above) that would be drilled at optimum locations for each company.

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#### Glossary:

boe: barrels of oil equivalent

mcf: thousand cubic feet

mboe: thousand barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)

MD: Measured Depth

Talon or Company: Talon Petroleum Limited

TVD: True Vertical Depth

US\$: U.S. dollars, unless otherwise stated

WI: working interest, a cost bearing interest of an oil and gas project

### About Mosman Rockingham (MR) Olmos:

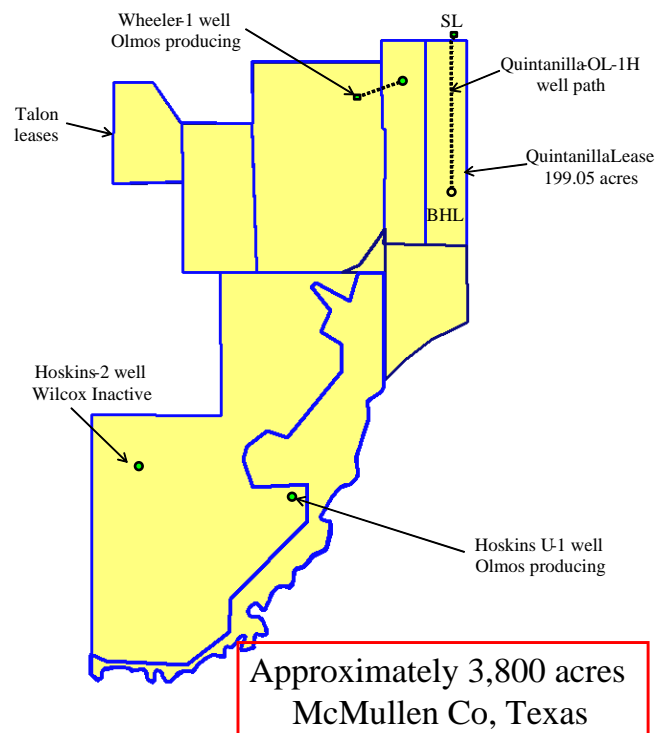
The Mosman Rockingham (MR) Olmos sand horizontal oil play is located in McMullen County, South Texas. With approximately 3,800 gross leasehold acres, there is potential for an additional 14 horizontal well locations in which Talon currently has approximately 3,620 net leasehold acreage with WI varying between 10 and 100% WI. Based on nearby analog horizontal well performance, the gross contingent resource potential (1C) is estimated to be in a range of potential outcomes of 235-327 mboe/well.

The MR Olmos leases lie on the flank of the AWP field which has produced 48.9 mmbo and 490.5 bcf from the Olmos sandstone reservoir. Historically, the Olmos reservoir was developed with vertical wells, two of which have or are producing in the MR Olmos leases. Talon believes that through the use of modern day horizontal drilling and hydraulic fracturing the productive capacity can be greatly enhanced and the leases more efficiently developed.

The MR Olmos project is located approximately 18 miles away from the highly successful STS Olmos Project where 8 successful wells have been drilled and 160 gross additional drilling locations have been identified.

In February 2014, Talon has formed a new joint participation group with Terrace STS LLC (TSXV:TZR, OTCQX:TCRRF, FRANKFURT:2TR) ("Terrace") (33.34%), Aschere Energy LLC ("Aschere") (16.66%) and Eagle Ford Shale Exploration, LLC ("EFSE") (40%) to jointly develop a small 199-acre Quintanilla lease and participate in the proof of concept (Quintanilla OL 1H) horizontal Olmos well. This initiative is in line with Talon's strategy to minimize the cost of the initial test well (10% WI) of a project while maintaining a material position in the surrounding leasehold (100% WI, subject to options). Talon will look to leverage any success at the test well program, which would have potentially positive impact on shareholder value. Terrace and Aschere each hold options to acquire collectively 50% WI in the remaining Olmos leased acreage and production from existing wells.

### Diagram – Location of Talon's MR Olmos leases and wells



### About Talon Petroleum Limited:

Talon Petroleum Limited is a Texas and Gulf Coast focused exploration and appraisal company listed on ASX (ASX code: TPD). Talon's strategy is to invest in multi-well oil projects that are located within areas with good production infrastructure employing horizontal drilling and advanced fracking technologies. The projects target oil in resource plays (shales) or in low permeability conventional reservoirs that originally produced only a small fraction of the hydrocarbons in-place (old fields with tight reservoirs) where recoveries can be improved with new technologies. Funding to drill the proof of concept tests in the early projects will come from selling down in large acreage blocks.

Talon's current portfolio reflects the strategy and consists of consists of seven projects located in East and South Texas, USA. Talon is headquartered in Brisbane, Australia with an office in Houston, Texas, USA. Additional information is available on Talon's website: [www.talonpetroleum.com.au](http://www.talonpetroleum.com.au)