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Company Announcements Platform  
 Australian Stock Exchange  
 Level 4  
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 SYDNEY NSW 2000

By e-Lodgement

## SUGARLOAF AMI OPERATIONS AND PRODUCTION UPDATE

Aurora Oil & Gas Limited ("Aurora") is pleased to provide the following update on operations and production at the Sugarloaf Area of Mutual Interest ("AMI") within the Sugarkane Gas & Condensate Field, Texas.

### Sugarloaf AMI (AUT 10% Working Interest)

#### May #1H (10% WI)

The May #1H well has been fracture stimulated and is presently flowing to sales. This well is the first well to be drilled, stimulated and produced on a post farmout basis within the Sugarloaf AMI and Aurora participates in sales on a post farm out WI basis of ten percent (10%).

The well was stimulated with 16 stages across approximately 4,800 ft of horizontal section. The well commenced flow back on the 5<sup>th</sup> November 2010 and was gradually unloaded to sales. The reservoir management technique of utilizing highly restricted chokes has continued with the May #1H well and we advise that this makes comparisons to IP results from earlier wells difficult to reconcile. The objective of this approach is to limit drawdown and therefore maintain reservoir pressure which results in improvements to decline curves, annual production volumes and ultimate recoveries. To date well performance has been encouraging in this regard. Production rates at the May #1H well continue to increase with each change of the choke setting and the results continue to be at least in line with expectation. However recognizing the time that has passed since this well was brought on line the following is a recently recorded daily production rate:

	Gas Production Rate (mscf/d)	Condensate Production Rate (bbls/d)	Average Daily Equivalent Gas Rate (mscfe/d)*	Average Daily Equivalent Oil Rate (boe/d)*
May #1H	1,934	634	10,020	835

\*The equivalent rates have been calculated to reflect value using a 12:1 conversion ratio for condensate and a 25% uplift on gas equivalent volumes due to the high calorific value of the produced gas.

The following comments should be considered when assessing these initial production rates.

- Recent Aurora wells within the Sugarkane field have successfully utilized a restricted choke setting to improve the production profile decline curve. The choke setting for this early production rate is the smallest used to date and the flowing tubing head pressure is one of the highest observed to date.
- This is an early production rate that has been observed over a 24 hour period during clean up and as such is not yet indicative of a short or long term production profile and should not be compared with announced Initial Production rates for earlier wells.

- The well still has considerable fluid to recover from the fracture stimulation.
- The well is currently producing through the production casing. A production tubing string will be installed in due course.

## **Luna #1H (10% WI)**

The fracture stimulation of the Luna #1H well is complete and this well commenced cleaning up to sales on the 18<sup>th</sup> November 2010. The well was stimulated with 14 stages across just over 5,000 ft of horizontal section. Aurora will provide further guidance on this well once stabilized flow has been achieved. In a similar fashion to the May #1H well, the choke setting on this well is being gradually increased over a period of many days as part of a process of optimizing drawdown on the wells.

## **Direct Assets #1H (10% WI)**

The fracture stimulation of this well has commenced using a similar design to that utilized in other recent wells. Aurora will provide the market with a further update once the well has unloaded and cleaned up.

## **Kowalik #1R (11.65% WI)**

The remedial operations on this well have been successfully carried out and the isolation plugs have been removed from the well. Production tubing will now be installed before flowing back to sales.

## **Gilley #1H (10% WI)**

Operations are underway at the Gilley #1H well which is within the Sugarloaf AMI. Aurora will provide further updates on this well once drilling has been completed.

ASX participants in the Sugarloaf AMI are:

- Aurora (ASX:AUT) – 10% (post farmout)
- AWE (ASX:AWE) – 10% (post farmout)
- Eureka (ASX:EKA) – 6.25% (post farmout)

Aurora also participates as a 25% or 30% WI holder in a larger area made up of an additional ~ 30,000 acres within the Sugarkane Field adjacent to the Sugarloaf AMI. Aurora is the only listed participant in these areas which are also subject to farmout to Hilcorp

Yours sincerely

**AURORA OIL & GAS LIMITED**

Jon Stewart  
**Executive Chairman.**

Technical information contained in this report in relation to the Sugarloaf project and Sugarkane field was compiled by Aurora from information provided by the project operator and reviewed by I L Lusted, BSc (Hons), SPE, a Director of Aurora who has had more than 15 years experience in the practice of petroleum engineering. Mr. Lusted consents to the inclusion in this report of the information in the form and context in which it appears.