



**sunset energy** Ltd

18 October 2010

Manager Announcements  
Company Announcements Office  
Australian Securities Exchange  
10th Floor, 20 Bond Street  
SYDNEY NSW 2000

## Update on Triple Crown Project

Please find attached an Investor presentation that is being used to brief investors ahead of the drilling of the first well on the Triple Crown Prospect in Texas.

Sunset has received advice from the Drilling contractor, that the release date for the Rig that will be drilling the Triple Crown Prospect has been delayed for ~ 2 weeks.

Sunset now expect the spud date for the first well to be late October/Early November

For further information please contact Paul Bilston – 0402 060 405.

Yours faithfully,

For and on behalf of Sunset Energy Limited

Paul Bilston  
Managing Director



**sunset energy** Ltd

Investor Presentation  
Triple Crown – Pre Drill Update  
October 2010

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# Disclaimer

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## **Forward Looking Statements**

*This announcement contains "forward-looking statements". Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company's plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.*



# Corporate Overview

## Non Executive Chairman - Michael Fry

Michael holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of Financial Services Institute of Australasia, and is a past member of the ASX. Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies. Michael was a founding Director of Sunset Energy Limited and currently serves as its Chairman. He is also Chairman of Red Fork Energy Limited.

## Managing Director - Paul Bilston

Paul Bilston has a Bachelor of Mechanical engineering and a PhD in Structural engineering, with 15 yrs experience in all aspects of the oil & gas sector. He has worked in a number of senior technical, commercial and management roles for companies including Worley, GHD, AGL Energy and AJ Lucas. In recent years his focus has been on the unconventional hydrocarbon space in Australia and overseas, and most recently managed the Gloucester Gas project in NSW which was sold in December 2008 for \$370M by AJL & MPO.

## Executive Director - David Prentice

David Prentice's career includes 21 years experience in commercial management and business development within the natural resources sector, working for some of Australia's leading resource companies. This has included high-level commercial and operational roles with a number of listed and unlisted resource companies. David was a founding Director of Sunset Energy, he is also Managing Director of Red Fork Energy Limited. David has overseen the successful transformation of Red Fork Energy Limited from a small ASX listed oil and gas explorer to a substantial United States based oil and gas production and development company with a market capitalisation of more than A\$100 million.

## Company Secretary - Adrien Wing

Mr Adrien Wing is CPA qualified. He practised in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Stock Exchange as a corporate/accounting consultant and company secretary.

Shares on Issue:	122,990,075 <sup>1</sup>
Listed Options	64,222,171
Unlisted Options:	11,500,000
Share Price:	0.12
Market Cap:	\$14.5M <small>As at 15th October 2010</small>
Shareholders:	380
Top 20 Holding:	64%
Cash as of 31 June 2010:	\$1.66M <sup>2</sup>

Note 1 : 48,474,038 shares were issued as consideration on 20<sup>th</sup> April 2010 in the acquisition of Bundu Oil & Gas Pty Ltd and are held in voluntary escrow for 12 months.

Note 2: On 5<sup>th</sup> July Sunset lodged an Entitlement Issue Prospectus for a pro rate non-renounceable entitlement issue on the basis of 1 new option for each 2 shares held at an issue price of \$0.015c to raise approximately \$922k.



# Recent Activity

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## ▶ Triple Crown Prospect (Texas)

- ▶ Contract Operator appointed
- ▶ Drilling Rig Secured
- ▶ Target Spud Late October/Early November 2010.
- ▶ Multiple targets all with potential > 1 TCF
- ▶ Primary target – Ellenburger Formation, however expecting Canyon Sands and unconventional gas potential

## ▶ Bundu (South Africa)

- ▶ Agreed BEE participation in Bundu Gas & Oil Exploration (10%)
- ▶ Submitted EMP for Cranemere Application
- ▶ Additional activity in Southern Karroo Basin.

## ▶ Corporate

- ▶ Completed a placement of A\$1.36M, June 10
- ▶ 1 for 2 rights issue to all shareholders at 1.5 c to raise \$0.922M
- ▶ Appointed COO – David Woodley Ex Origin Energy.

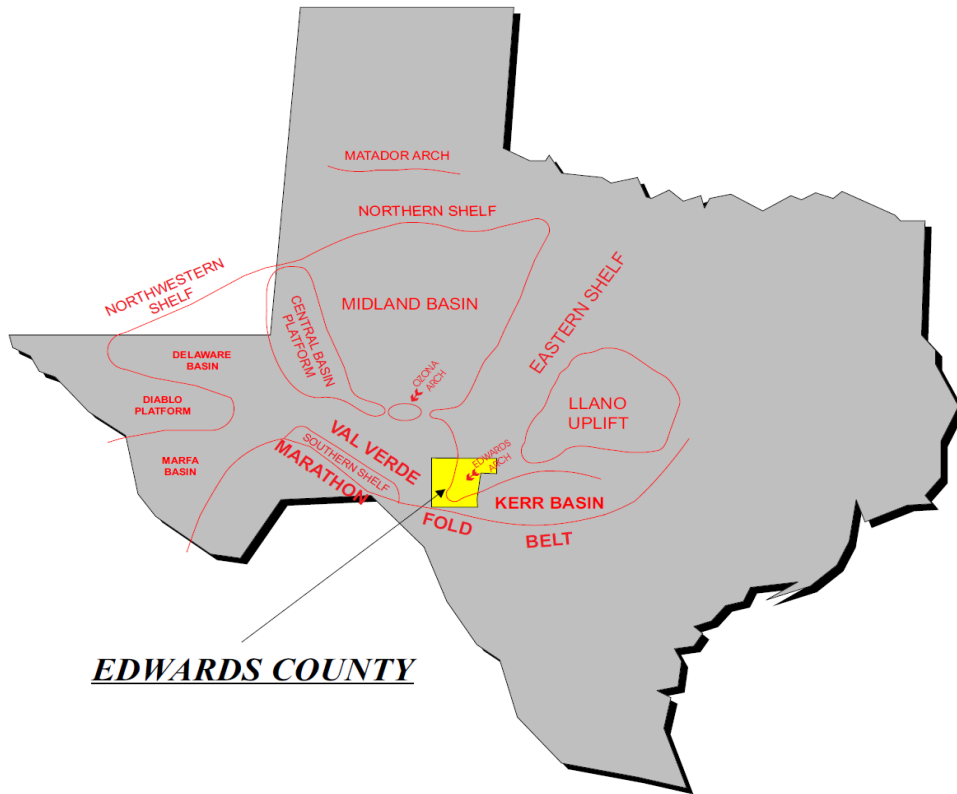


# Triple Crown Prospect - Overview

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- ▶ 80% WI (100% before payout) in 45,000 acres in the Triple Crown Prospect Edwards County Texas
- ▶ Very reasonable terms – Value for vendor only on success
  - ▶ US\$10/acre initially – US\$445,000
  - ▶ Drill 1 Well ~ US\$1.3-1.5M
  - ▶ Further US\$10/acre if decided to proceed
  - ▶ Vendor retain 20% back- in after payout and have ORRI on production ranging from 1 – 3.25%
- ▶ Three Targets
  - ▶ Ellenburger Formation –
    - Very Large Structures, historically produced in excess of 15TCF in the region
    - Mapping suggests structure could be up to 75,000 Acres
    - Potentially significantly in excess of 1 TCF contained in structures
    - Excellent economics if successful – (NPV ~ US\$3-10M/well)
  - ▶ Canyon Sands
    - Pervasive resource play, well known in the region
    - Could be 150 – 200,000 acres in region
    - Typically 0.75 – 1.5 BFC/Well on 80 acres spacing (NPV~ US\$1.0M/Well @ 1.5 BCF)
  - ▶ New Unconventional Gas Play
    - Extensive target resource
    - Initial work suggests OGIP of up to 145 bcf/640 acre section
- ▶ Very attractive lease position
  - ▶ Core area covered by single lease 35,000 acres; total 45,000 Acres
  - ▶ Continuous drilling obligations to hold key lease (2 wells/yr)

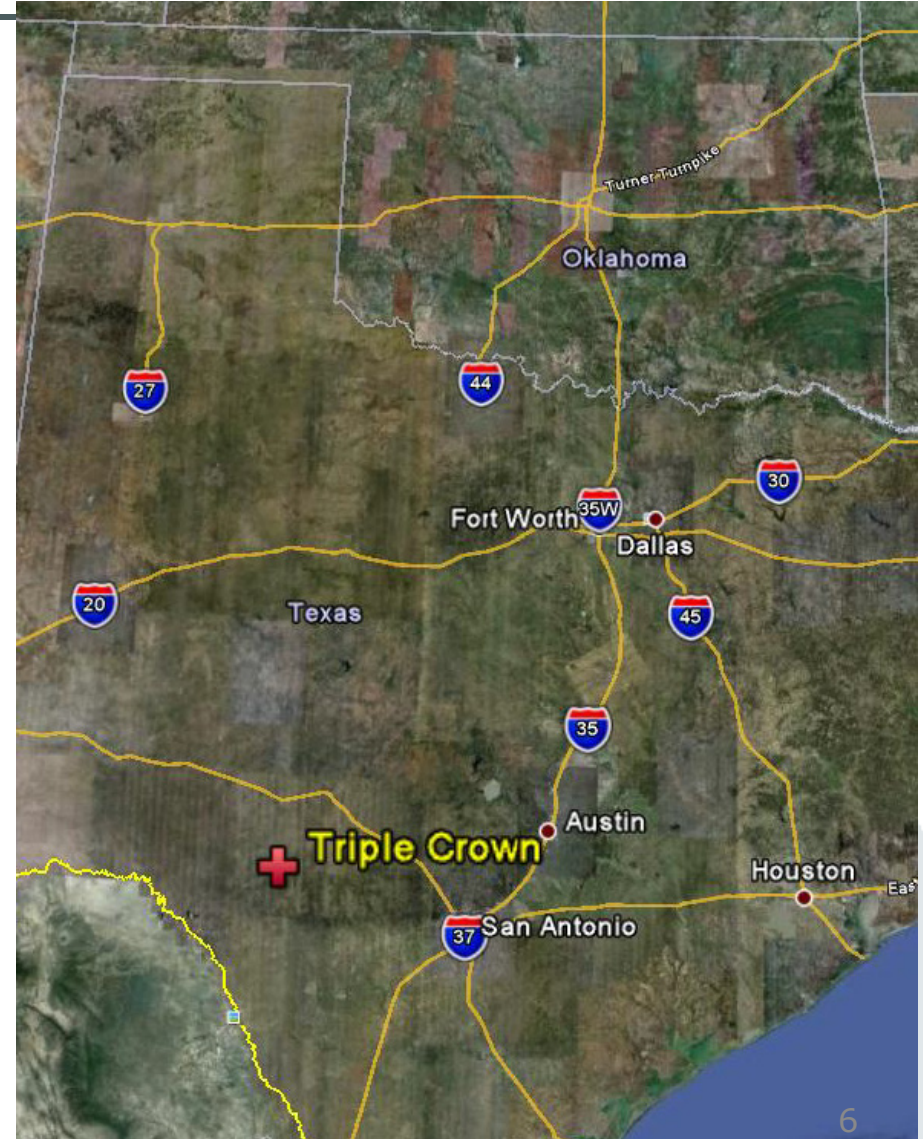
# Location



EDWARDS COUNTY

## STRUCTURAL FEATURES IN AND AROUND THE PERMIAN BASIN

(MODIFIED FROM GALLOWAY, 1970; AND JONES, 1980)



# Stratigraphic Section: Val Verde Basin

## Primary Producing Intervals (99% Natural Gas):

Deep Water **Canyon Sandstones**  
(Pennsylvanian Age) found throughout basin;  
Stratigraphic/Structural Traps;  
Lower Canyon Sands Average 1.5 BCF

Open Marine **Ellenburger Dolostone**  
(Ordovician Age) found along "Fractured Trend";  
Structural Traps sealed by Canyon/Wolfcamp  
Shales; Production ranges 1-100 BCF/well



SYSTEM	VAL VERDE BASIN
PERMIAN	RUSTLER SALADO
	TANSILL YATES SEVEN RIVERS QUEEN GRAYBURG SAN ANDRES
	LEONARD
	WOLFCAMP
	CISCO
PENNSYLVANIAN	CANYON
	STRAWN
	(ABSENT)
	(ABSENT)
MISSISSIPPIAN	MERAMEC OSAGE "BARNETT"
	KINDERHOOK WOODFORD DEVONIAN
DEVONIAN	
SILURIAN	MIDDLE SILURIAN FUSSELMAN
ORDOVICIAN	SYLVAN MONTROYA
	SIMPSON
	ELLENBURGER
CAMBRIAN	CAMBRIAN
PRECAMBRIAN	





# Play Concept & Well Objectives

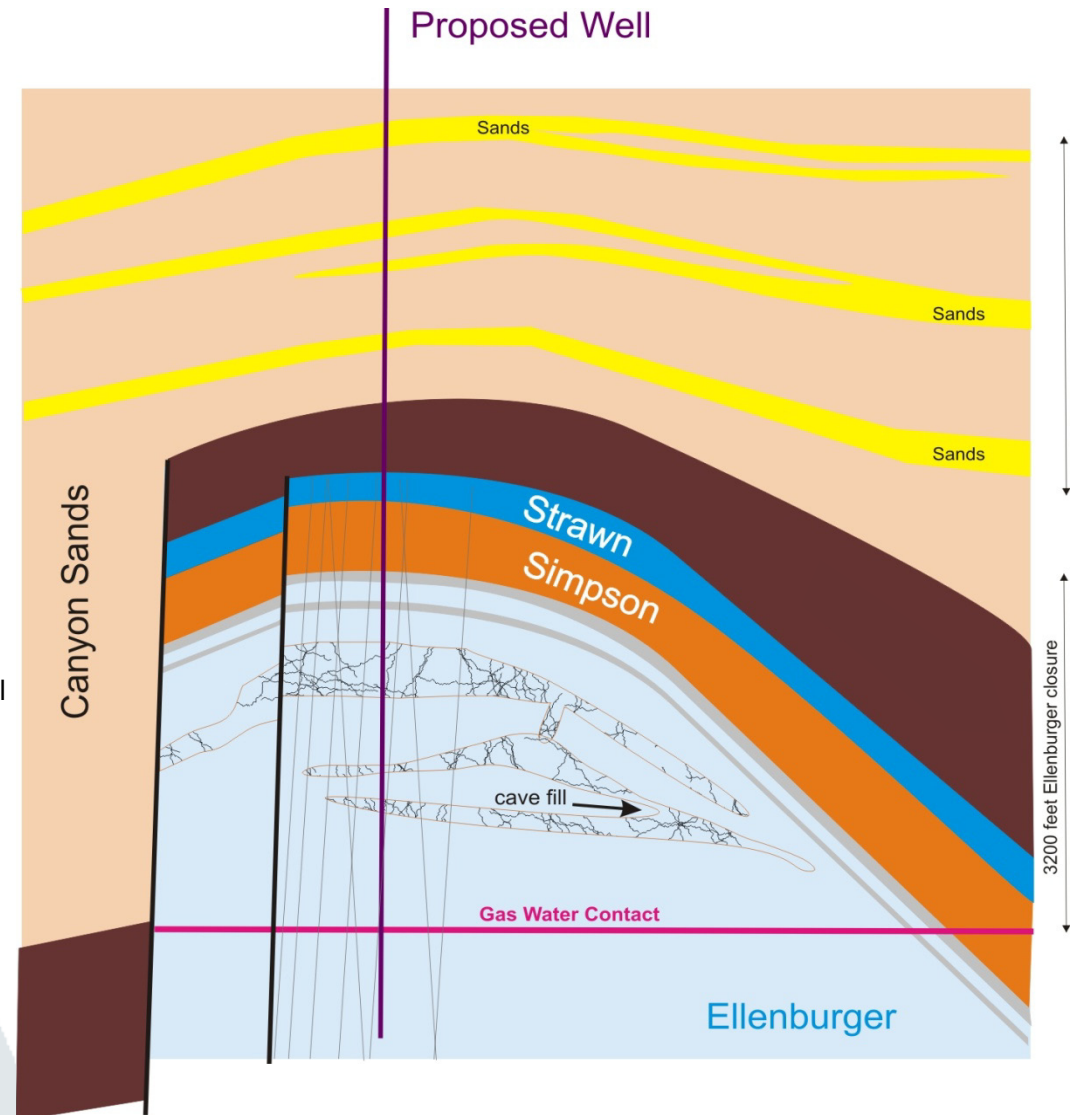
## Three Objectives for first well

- ▶ Canyon Sands –
  - ▶ Log analysis of closest well clearly shows hydrocarbons.
  - ▶ Well to determine net pay thickness and presence of gas
  - ▶ Next stage would involve stimulating and testing the productivity of these sands
- ▶ Ellenburger –
  - ▶ Log analysis of previous wells clearly demonstrates features analogous to those found in historically productive fields.
  - ▶ Well to determine net pay thickness and presence of gas
  - ▶ Next stage would be to stimulate this well or drill a horizontal well to maximise production rates.

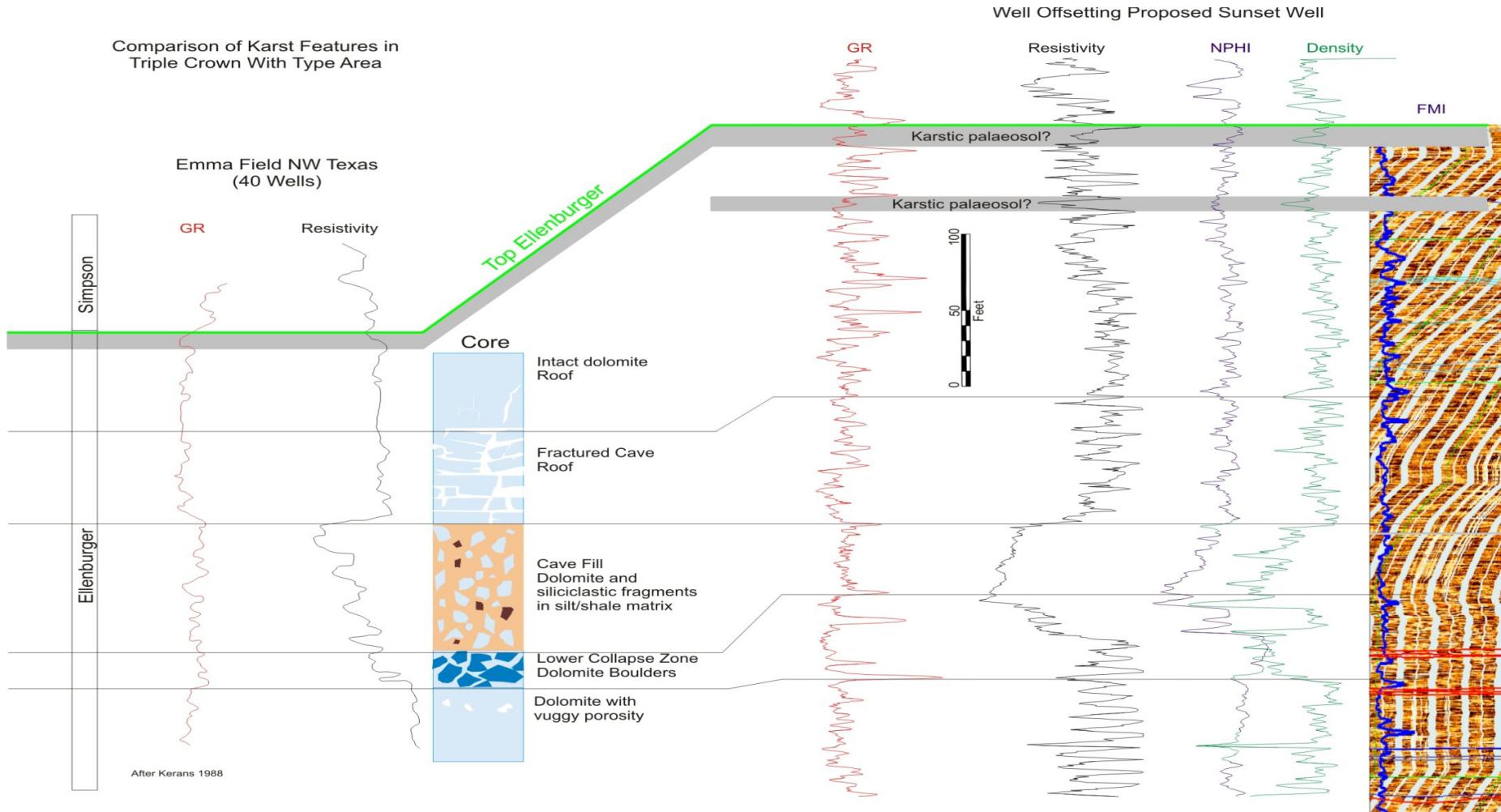
## ▶ Unconventional Gas Resource

- ▶ Produced gas flares during drilling in wells in the region.

Well to test presence of gas via gas shows during drilling and if suitable drilling conditions prevail sidewall cores will be taken to allow geochemical analysis

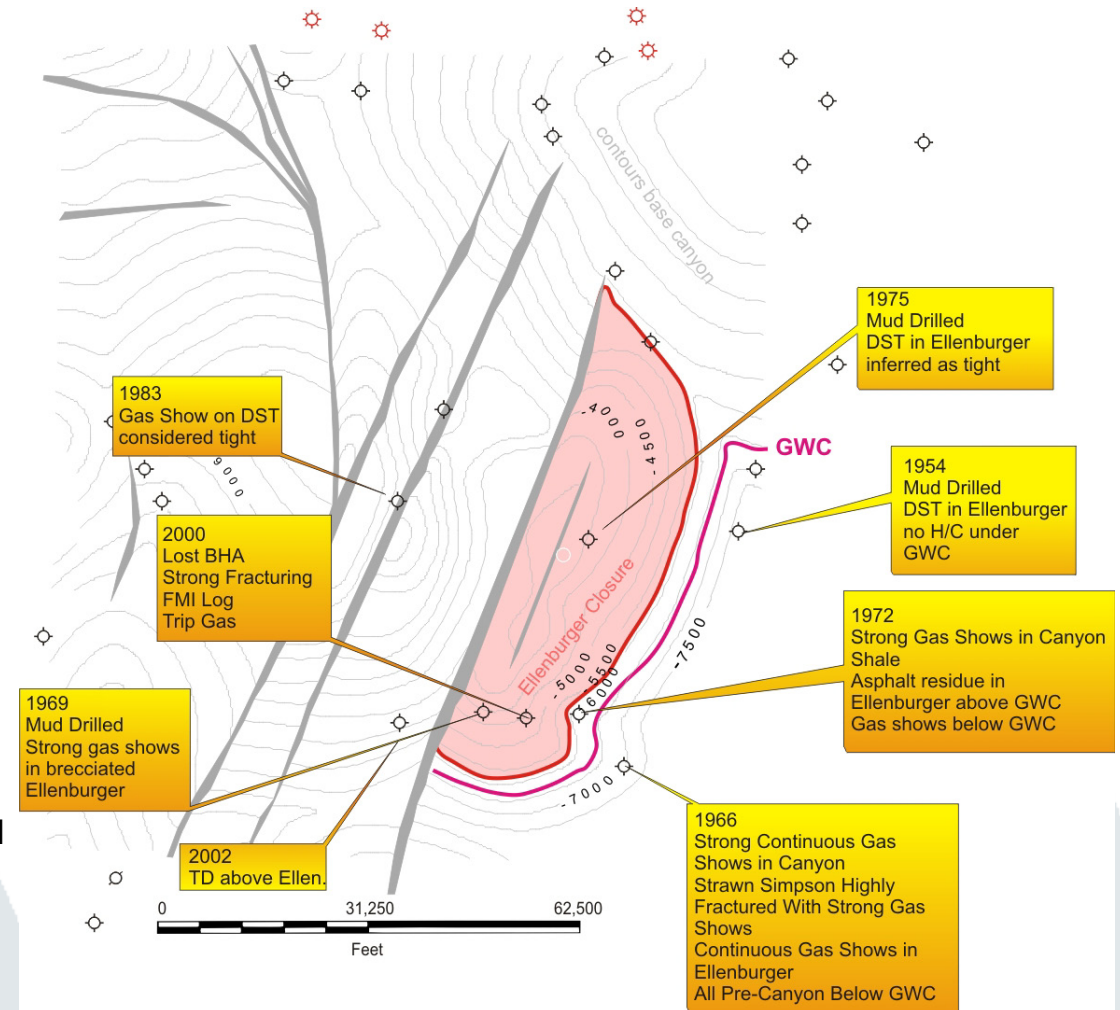


# Ellenburger – Triple Crown



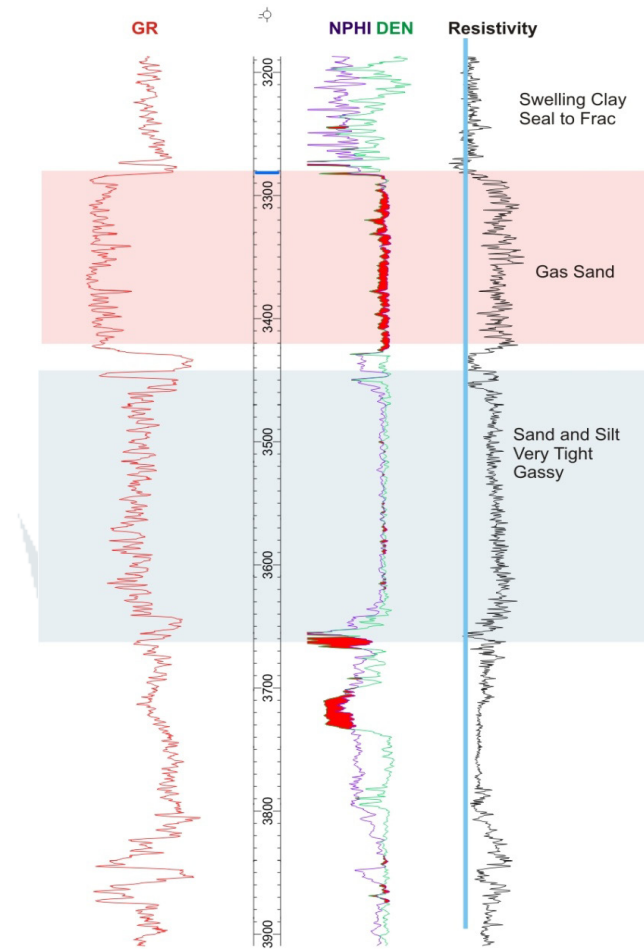
# Ellenberger – Evidence of Gas

- ▶ Strong gas shows in several Ellenberger wells around and in the structure. These wells were generally late 60's early 70's vintage drilled with mud.
- ▶ Ellenberger now known to exhibit imbibition which causes fluids to be absorbed into the matrix blocking it. It is likely this impacted the results of the mud drilled wells previously drilled in the area.
- ▶ Normalised analog field production records indicate 6 – 20 BCF/Well, dependent on actual well spacing and gas column.
- ▶ Primary Target (Highest Confidence Red) ~ 35,000 acres in current target structure (assumes gas column of 2000 ft )
- ▶ Extension (Down dip) could add an additional 30,000 acres, and other structures exist
- ▶ Single Well 10 BCF/Well NPV ~ US\$10M/well



# Canyon Sands – Pay in Offset Well

- ▶ Pervasive resource play within the region, having produced in excess of 4 TCF of gas.
- ▶ Log analysis clearly indicates the presence of hydrocarbons within the Canyon sands in offset well, and should be intersected in proposed well
- ▶ Avg. Well 1.5 BCF based on average ~150' sand
- ▶ Exploration for Canyon Sands in southern Edwards Co. has been delayed by absence of pipeline
- ▶ Canyon Sand Fairways typically located adjacent to crests of Ellenburger structures
- ▶ Provides average (but attractive economics) which enhance the primary Ellenberger Structure target.
- ▶ Single 1.5 BCF/Well NPV ~ US\$1.0 M



# Well Plan & Objectives

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- ▶ Overview of Well Objectives

- ▶ Confirm presence of gas
- ▶ Confirm thickness of gas reservoirs
- ▶ Determine reservoir quality and confirm presence of fracture network

- ▶ Provisional Well Plan

- ▶ Drill and set surface casing 13 3/8th ~ 2000 ft
- ▶ Drill to TD with air.
- ▶ Run modern logging suite and take side wall cores from selected zones subject to drilling conditions.
- ▶ Set production casing (7"), ready for the next phase of operations which will include stimulation and production testing
- ▶ Horizontal drilling will be evaluated as part of the next stage



# Conceptual Valuation

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- ▶ Ellenburger un-risked Net to Sunset - Moderate case:
  - ▶ 5 BCF/Well horizontal completion @ US\$2.5M each
  - ▶ 100 Wells (10 wells/Year) from 2012 ~ 500 BCF
  - ▶ US\$4.50 escalating 100% CPI
  - ▶ NPV(10) ~ US\$280 M
  - ▶ **Upside (200 wells) > US\$500M**
- ▶ Canyon un-risked Net to Sunset - Moderate case:
  - ▶ 1.5 BCF/Well vertical completion @ US\$1.0M each
  - ▶ 300 Wells (30 wells/Year) from 2012 ~ 450 BCF
  - ▶ US\$4.50 escalating 100% CPI
  - ▶ NPV(10) ~ US\$280 M

Note these valuations are un-risked and are indicative only

# Other Projects

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- ▶ South Africa Projects
  - ▶ Cranemere - Exploration application accepted, EMP submitted
  - ▶ Thelma 1 – Exploration right granted
  - ▶ Thelma 2 – Exploration application accepted (overlapping application)
- ▶ US Projects (Not discussed in presentation)
  - ▶ Maricopa (50% Working Interest)
  - ▶ Silverthread – (18.5 – 20% Working Interest)
  - ▶ Deer Creek (50% Working Interest)





# Cranemere CR 1/68 Well

- ▶ Drilled 1968
- ▶ Well blowout at around 8300 ft, required 10.5 lb/gal mud to kill
- ▶ DST testing flowed substantial quantities of gas from test zone 8154 – 8312 ft over 24 hour period. Generally flowed between 1.35 – 6.5 MMSCFD during 9 different tests with peak flow in excess of 16 MMSCFD
- ▶ Fort Brown Shales described as dark grey to black and carbonaceous with occasional siltstone stringers. Span 7012 – 11997 ft in well.
- ▶ 11 other zones were tested, based on log response or high gas shows, however most tests were mechanically unsuccessful.



# Cranemere Potential

## Technically

- ▶ Massive resource potential, if successful has the potential to be a multi TCF field
- ▶ Gas blowout suggests section is over pressured - Positive for shale production
- ▶ Production from fractured shale on DST demonstrates the system is gas charged (fully saturated)
- ▶ Previous core testing (though limited) confirmed shale both source and reservoir for gas produced in test on CR 1/68.
- ▶ Massive shale thickness provides a number of potential target zones and the presence of siltstone stringers in the shale is desirable for drilling and completion.

## Commercially

- ▶ Scale of resource supports wide variety of marketing options.
- ▶ Key initial focus – PetroSA - Mossel Bay Synfuels refinery.
- ▶ 36,000 BBL/day
- ▶ ~ 200 TJ/day of Gas.



- ▶ EXISTING OFFSHORE FIELD RUNNING OUT OF GAS ~ 2011/12
- ▶ Other options include the Coega Development Zone and Deepwater Port, a major industrial area Port Elizabeth, and generation of power.

## *Moving Forward*

Awaiting decision on new application, continuing community consultation.

Forward plan if successful will include testing existing core and evaluation of shale geochemistry, reprocessing of seismic, and deep core test well.



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ASX:SEY

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