

ASX Announcement

Date: 8 August 2011



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Coolangatta

Drill-ready Leases

Earlier this year the Company had expected to be drilling this prospect in June. However just before the Company's AGM in May, it became clear that Coolangatta leasehold title would not be cleared and drill-ready by that time. The Company then initiated a report on the matter by an independent lease and land management advisor. After examining the report, and reviewing the situation with Texon Houston based personnel, the Company is now satisfied that the leasehold title should be finalized and drill-ready by the end of November this year.

The Prospect

Coolangatta is a low risk gas and gas liquids prospect whose technical attributes remain encouraging. The prospect was mapped by Wandoo utilizing some of the 180 3D seismic surveys to which Wandoo now has access. The Company has exclusive access to all prospects generated by Wandoo from these 3D seismic surveys. **Attachment I** shows the location of the Coolangatta prospect in Texas.

The prospect has Direct Gas Indicators in the target reservoir. Several nearby wells and small gas fields produce from this reservoir (refer to **Attachment II**). The nearest three fields suggest that a single Coolangatta well could produce 5.5 bcf and 40,000 barrels of liquids.

In the success case, Coolangatta's upside area may require three or four wells. The value of four wells combined (US\$100 per bbl for oil and US\$4.50 per mmbtu for gas) is calculated to be some US\$35-50 million as to 100% WI after allowing for lease, completed well and operating costs. At an Initial Production rate of 3.5 mmcf/gpd and these prices, payout would be 6-9 months after drilling.

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Early production revenue from one well to 100% WI, would be about US\$350,000/month. The gross dry hole cost of the well is estimated to be US\$1.4 million with casing, completion and connection costs amounting to US\$0.7 million.

The Company now expects to finalize Coolangatta leasing later this year with a view to drilling Coolangatta as soon as practically possible thereafter.

Oil and gas futures prices (Source: NYMEX September 2011 contracts)

Oil: US\$84.12/bbl

Gas: US\$3.90/mmbtu (this translates to approx. US\$6.50/mcf for all Texon gas – including US\$7.40/mcf for Olmos and Eagle Ford gas)

-Ends-

Glossary:

bbl:	barrel
bcf:	billion cubic feet
mmbtu:	million British thermal units
mmcfcpd:	million cubic feet of gas per day
WI:	Working Interest



