

**ASX Announcement – December 17, 2012****Hawkley Oil & Gas: Sorochynska-202 Completion Update**

Hawkley Oil & Gas is pleased to provide the following update on the completion process of Sorochynska-202 well in Ukraine.

**Highlights:**

- Three perforated intervals
- Upper B18 flowing gas
- Lower B18 flowing gas/light oil/condensate
- Since perforation the Company has been analysing options for flow testing and producing the two B18 horizons
- Company to isolate the Lower B18 for production testing at a later date
- Once isolated, the Upper B18 will be flow tested

On 18<sup>th</sup> November 2012, Sorochynska-202 was perforated over the following intervals:

Upper B18	4042 – 4047m
Lower B18	4058 – 4062m
	4065 – 4067m
	4070 – 4076m
Upper B19	4161 – 4164m

Subsequently, the choke was opened to clean up the well. The completion fluid was unloaded and the well commenced flowing gas with slugs of completion fluid and condensate. The well was then shut in pending the arrival of the test separator, which was delayed due to matters outside Hawkley's control.

**Directors**

**Glenn Featherby**  
Executive Chairman

**Richard Reavley**  
Chief Executive Officer

**David Riekie**  
Non-Executive Director

**Lord Risby**  
Non-Executive Director

**Graham Lyon**  
Non-Executive Director

**Share Information**

ASX Code:	HOG
Shares on Issue:	287.2M
Options on Issue:	39.5M
Share Price*:	14¢
Market Cap*:	\$40.2M

\*As at December 3<sup>rd</sup>, 2012



**Figure 1: Well 202 cleaning out.**

Once the separator was setup the well was re-opened, however, slugs of formation water were identified. A suite of production logging tools was then run to determine which perforations were contributing and the respective fluid type. The results of this logging are as follows:

- The Upper B18 was flowing gas.
- The Lower B18 perforations were producing condensate/light oil with some associated gas and some water from the lowermost perforations. This water appears to be coming from a deeper wet sand by communication behind casing.
- The Upper B19 was producing a small amount of formation water.

Subsequent to these tests the Company has engaged a number of external engineering consultants to review the options for bringing both the Upper and Lower B18 horizons into production. However, given the nature and physical properties of the two horizons and the complications of producing light oil/condensate from the lower horizon and gas from the upper horizon from the same well, the Company has taken the decision to isolate the Lower B18 for production testing at a later date while producing from the Upper B18 in the interim.

#### **Upper B18**

The isolation of the lower B18 will be carried out using a through tubing inflatable packer (TTIP) installed using a coiled tubing unit. The TTIP will be custom made outside of Ukraine and is anticipated to be imported to site in no more than 40 days. Once installed the Company will flow test the well and subject to that test bring the well on stream.

**Lower B18**

The installation of a TTIP will allow the company to revisit the lower B18 horizon at a later date without engaging in a prolonged workover program. Once the Upper B18 reservoir has been drained the well will be re-entered, the TTIP removed and following isolation of the water inflow from behind casing a production test of the lower B18 conducted. The liquids content of the Lower B18 will determine whether it can then be fed directly to the gas plant with or without additional processing.

Commenting on this announcement, Richard Reavley, CEO, said:

“The completion process has been more complicated than anticipated due to the production of hydrocarbon liquids and gas from separate horizons from the same well, and has consequently taken longer than initially anticipated.

We are encouraged by the rich condensate produced from the lower B18 and although frustrated not to have been able to produce from this horizon immediately, we are confident that this previously unexploited horizon contains prospectivity that the Company may be able to exploit at a later date. We look forward to updating our shareholders on the sole flow test results of the Upper 18 once the TTIP arrives on site.”

**ENDS**

**For more information, contact:**

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**About Hawkley**

Hawkley is an upstream company focused on exploration and exploitation of undeveloped discoveries in the Dneiper-Donets Basin in Ukraine. The Company owns and operates 100 per cent a production license and an exploration license. Hawkley has had production from its first development well, Sorochnytska-201, since February 2010.

