



Wednesday 25 July 2012

Third Woodbine Project

- Sun Resources NL (ASX Code: SUR) (Sun) has entered into a binding farm-in transaction with US oil company Richland Resources Corporation (Richland) and Amerril Energy LLC (Amerril) regarding 1,360 gross acres (Richland Oil Project) located immediately adjacent to one of the best performing horizontal oil wells in Leon County, Texas, which was a well included in the recent US\$522 million PMO Oil Field transaction that was recently announced by Halcón Resources Corporation (NYSE:HK).
- Sun, Richland and Amerril have agreed to immediately drill and complete a horizontal well into the Woodbine Formation just south of Centreville, Leon County, Texas on a chosen location situated within the 1,360 acres with the main target of the well being the same productive interval as that in the PMO Oil Field. Richland is the Operator of these 1,360 acres and has already scheduled a drilling rig, drilling crew and frac crew for this purpose. Along with Petromax (Operator of the PMO Oil Field), Richland is the most knowledgeable operator of Woodbine horizontal wells having a proven track record in drilling and fracing Woodbine horizontal wells in Madison County, Texas.
- The horizontal well has been named Beeler #1H. The well is planned to spud on or about Friday 17 August 2012. It is expected to be drilled, fraced and completed by 27 September 2012.
- The budgeted cost of Beeler #1H is approximately US\$7,600,000. 25% of these costs shall be borne by Sun (being approximately US\$1,900,000) with the remainder to be paid by Richland (50%) and Amerril (25%).
- Upon drilling and completing Beeler #1H, Sun, Richland and Amerril will have earned the following respective working interests and net revenue interests in Beeler #1H:

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farminors	0%	18.75%	14.0625%
Richland	50%	40.625%	30.4687%
Sun	25%	20.3125%	15.2344%
Amerril	25%	20.3125%	15.2344%
Farminors Overriding Royalty Interest	0%	0%	5%
Lessor Royalty	0%	0%	20%

- **As a result of its participation in this third Woodbine project, following completion of this transaction and the Amerril transaction (the settlement date for which has now been amended by Sun and Amerril to be on or before 5 September 2012), Sun will have a material working interest in Leon County, Texas of 22,000 gross acres (14,833 net acres).**
- **Sun remains active in discussions with various parties in relation to potential farm-in transactions on both its Delta Oil Project and Amerril Oil Project acres.**

The Board of Sun Resources NL (**Sun Resources, Sun** or the **Company**) (ASX:SUR) is pleased to advise that it has entered into a binding farm-in transaction with Dallas based US oil company Richland Resources Corporation (**Richland**) and Houston based Amerril Energy LLC (**Amerril**) regarding 1,360 acres (**Richland Oil Project**) located immediately adjacent to one of the best performing horizontal oil wells in Leon County, Texas which is the Gresham A #1H well. The Gresham A #1H well has produced 105,070 barrels of oil since being put on production 166 days ago and produced an average of 793bopd over its first 30 days of production. Gresham A #1H is still currently producing approximately 600bopd. Amerril still retains a 25% ownership stake in Gresham A #1H which is one of the 15 horizontal Woodbine wells included in the recent US\$522 million PMO Oil Field transaction that was recently announced by Halcón Resources Corporation (NYSE:HK).

The 3 farminee parties: Sun, Richland and Amerril, have agreed with the 3 farminor parties to drill and complete a horizontal well into the Woodbine Formation. The location of this horizontal well within the 1,360 acres that comprise the Richland Oil Project has been selected and is as shown on the maps at the end of this ASX announcement. This horizontal well has been named Beeler #1H.

It is proposed the Beeler #1H lateral or horizontal drain hole will be drilled from the top hole location in a south-east direction (a similar orientation to Gresham A #1H). This is a proven orientation given the results of Gresham A #1H and is supported technically by the regional fault trends. Total vertical depth is expected to be approximately 7,000 feet and the horizontal drain hole length is expected to be 6,500 feet. The fracture stimulation is expected to be comprised of 28 stages (28 fracs). Richland is the Operator of these 1,360 acres that comprise the Richland Oil Project and has already scheduled a drilling rig, drilling crew and frac crew for this purpose.

The Beeler #1H horizontal well is planned to spud on or about Friday 17 August 2012. It is expected to be drilled, fraced and completed by 27 September 2012.

As shown on the following map (Figure 1) the proposed Beeler #1H well is located:

- 4.2 miles north-west of the horizontal well Gresham A #1H, which is currently producing approximately 600bopd and is second best well of the 15 horizontal Woodbine wells that comprise the PMO Oil Field. Amerril still owns a 25%WI in the Gresham A #1H horizontal well. Sun interprets the Beeler #1H well location as having a similar log profile and can be regarded

as a step-out or off-set development well from Gresham A #1H. As proposed, the bottom hole location of the two wells will be only 1.7 miles apart;

- within 4.1 miles of three old vertical wells (Gresham Trust #3, Beeler John #1 and Gresham Robert E #1) each of which has an old well log which is interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine;
- 1.8 miles south-east of old vertical well, Leathers #1, whose well log is interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine; and
- 4.7 miles south-west of old vertical well, Baker #1, whose well log is interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine.

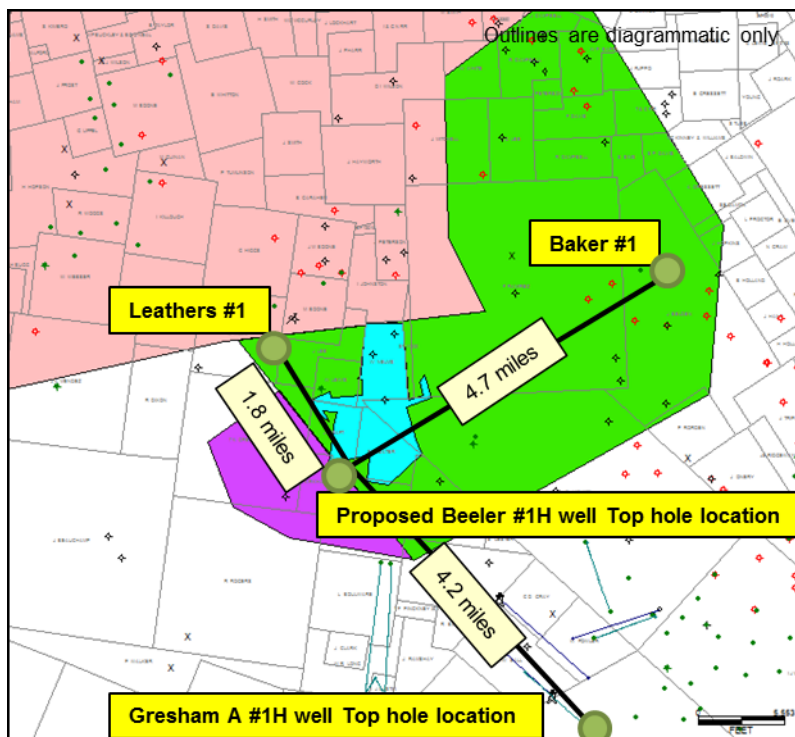


Figure 1. Well Locations

Prior to the drilling of the Beeler #1H horizontal drain hole, Richland as the Operator will first drill and log the interval from the top of the Austin Chalk Formation to the base of the Georgetown Formation for the purpose of identifying and assessing all potential oil zones in that interval. In Leon and adjoining Counties, oil production has historically been obtained from zones in the following geological formations (from shallower to deeper respectively): the Austin Chalk, the Sub-Clarksville, the Eagle Ford Shale, at least three levels in the Woodbine, the Buda and the Georgetown. The additional cost associated with this additional drilling and logging is approximately US\$400,000. Richland, Sun and Amerril consider this cost to be very worthwhile given that the average estimated ultimate recovery (**EUR**) for horizontal Woodbine wells is 467,000boe per zone or horizontal drain hole. The larger the number of stacked

laterals, the greater the recoverable oil per well location and the greater the value per acre of oil and gas leases held.

The budgeted cost of Beeler #1H is approximately US\$7,600,000. This cost includes the cost of leasing the land, the US\$400,000 cost of the additional vertical drilling to the base of the Georgetown Formation and the cost of surface production facilities. These costs shall be borne by Sun, Richland and Amerril in the following proportions:

- Richland: 50%
- Sun: 25%
- Amerril: 25%

Sun's one quarter share of the cost of Beeler #1H will be approximately US\$1,900,000.

Upon drilling and completing Beeler #1H, Sun, Richland and Amerril will have earned the following respective working interests and net revenue interests in Beeler #1H:

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farminors	0%	18.75%	14.0625%
Richland	50%	40.625%	30.4687%
Sun	25%	20.3125%	15.2344%
Amerril	25%	20.3125%	15.2344%
Farminors Overriding Royalty Interest	0%	0%	5%
Lessor Royalty	0%	0%	20%

The farminors will be carried therefore to the extent of 18.75% across the cost of drilling this first well.

Upon drilling and completing Beeler #1H, Sun, Richland and Amerril will also have earned the following respective working interests and net revenue interests in the entire 1,360 acres that comprise the Richland Oil Project (save for the well unit area which corresponds with Beeler #1H):

	Working Interest (WI)	Net Revenue Interest (NRI)
Farminors	0%	0%
Richland	50%	37.5%
Sun	25%	18.75%
Amerril	25%	18.75%
Farminors Overriding Royalty Interest	0%	5%
Lessor Royalty	0%	20%

Option to Have a Working Interest

The farminors have the option however to participate to the extent of 50% on a 'heads up' basis in Beeler #1H and any subsequent wells. This option expires at 5.00pm (Houston time) on 3 August 2012. If they elect to exercise this option to the extent of 50%, the following parties would earn the following respective working interests and net revenue interests in Beeler #1H:

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farminors	0%	18.75%	14.0625%
Farminors Nominee Company	50%	40.625%	30.4687%
Richland	16.66%	13.5416%	10.1562%
Sun	16.67%	13.5417%	10.1563%
Amerril	16.67%	13.5417%	10.1563%
Farminors Overriding Royalty Interest	0%	0%	5%
Lessor Royalty	0%	0%	20%

Under this scenario, Sun's contribution to the cost of Beeler #1H would fall from US\$1,900,000 to US\$1,266,666 as a result of the reduction in Sun's earning interest from one quarter to one sixth of Beeler #1H.

The carry for the farminors of 18.75% only applies to Beeler #1H, therefore if the option has been exercised by the farminors to the extent of 50%, for any subsequent wells, the following parties would earn the following respective working interests and net revenue interests in any second well and in any additional wells:

Participant	Working Interest (WI)	Net Revenue Interest (NRI)
Farminors Nominee Company	50%	37.5%
Richland	16.66%	12.5%
Sun	16.67%	12.5%
Amerril	16.67%	12.5%
Farminors Overriding Royalty Interest	0%	5%
Lessor Royalty	0%	20%

As a result of its participation in this third Woodbine project, following completion of this transaction and the Amerril transaction (the settlement date for which has now been amended by Sun and Amerril to be on or before 5 September 2012), Sun will have a material working interest in Leon County, Texas of 22,000 gross acres (14,833 net acres). Participation by the 3 farminee parties (Sun, Richland and Amerril) in this transaction remains subject to and conditional upon the completion of satisfactory due diligence on the 1,360 acres of oil and gas leases which the 3 farminees expect to have completed by 7 August 2012.

Sun remains active in discussions with various parties in relation to potential farm-in transactions on both its Delta Oil Project and Amerril Oil Project acres.

Sun's Managing Director, Matthew Battrick commented:

"Sun is pleased to have entered into this farm-in with Richland and Amerril. The 1,360 acres is ideally located next to the PMO Woodbine Oil Field which Halcón has contracted to purchase for US\$522m. Richland has a proven track record in drilling and fracking Woodbine horizontal wells in Madison County and along with Petromax (operator of the PMO Oil Field) is the most knowledgeable operator of Woodbine horizontal wells. There are 6 wells nearby whose well logs have been interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine, leading to high expectations for a successful horizontal well at this location. The Beeler #1H well is planned to be drilled, fraced and completed within 50 days and if successful will add substantial value to Sun's asset base".

Amerril's President, Ping He commented:

"Amerril has contracted to sell its 25% stake in the PMO Oil Field which is comprised of 15 horizontal wells. At present however it still owns its 25%WI and the second best of those 15 wells is Gresham A #1H and yesterday it delivered approximately 600 barrels of oil production to its owners. The Beeler #1H top hole location is located only 4.2 miles north-west of the top hole location of Gresham A #1H. Amerril interprets the Beeler #1H well location as having a similar profile and can be regarded, for all intents and purposes, as a step-out or off-set development well from Gresham A #1H. The bottom hole location of the two wells will be only 1.7 miles apart. Amerril is very pleased to be participating in this Richland Oil Project with Sun and Richland".

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Information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 30 years' experience in the practice of geology and 31 years' experience in petroleum geology.

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This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that some or all of the resources and reserves described can be profitably produced in the future.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this document is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Sun Resources disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.

About Sun's Woodbine Projects (Delta Oil Project, Amerril Oil Project, Richland Oil Project)

All of Sun's oil and gas leases are located in Leon County, Texas in the rapidly developing Woodbine play within the prolific Eagle Ford Shale trend. In this new tight oil play, horizontal fraced wells have obtained significant oil production from brittle, sandy units (**Woodbine Sands**) situated near the base of the Eagle Ford Shale at relatively shallow depths.

During discussions with other oil companies and drilling contractors, most participants in Leon and Madison Counties are having greatest success with horizontal well bore lengths of 6,000-7,000 feet (1,830-2,130 metres) delivering initial production rates of 1,000bopd and more after multi-stage fracture stimulations, or "fracs" and draining lease areas of at least 120 acres. These wells are being drilled, fraced and brought into production for an investment of approximately US\$5.5m to US\$6.5 million. Companies are also reporting that oil production decline rates are more modest than previously forecast, adding to the strong commercial potential in the Woodbine play.

Recent industry research has listed the following characteristics of the Woodbine oil play:

- Organic-rich, laminated sand above Buda
- ~40% silica and clastics = natural fractures
- Geologically equivalent to EFS in South Texas
- Modern drilling and well completion skills critical
- Multiple, high quality fraccable sand lenses
- Premium pricing being paid for oil, NGL's and gas
- 10%+ porosity, 4-5% total organic carbon content (TOC)
- Current IP's 3-4 times higher than previous estimates
- Well cost = US\$5.5 to US\$6.5 million
- Spud to Production = 60 to 90 days
- Well Spacing = 160 acres (down from 320 acres)
- Average EUR = 467mboe per well per zone
- Potential fraccable target reservoirs existing from 5,500 to 11,500 feet depth
- Responds to multi-stage fracs (10 to 30 stages)
- High porosity = high storage capacity fraccable sands
- Downdip permeability adequately traps hydrocarbons

The Woodbine presents as a normally pressured and organic rich Cretaceous sandstone-siltstone and shale sequence that sits above the Buda and is generally regarded in the industry as a sandy equivalent of the Eagle Ford Shale.

Studies and log data indicate a hydrocarbon bearing formation with high resistivity (oil saturated) and 10%+ porosity (storage capacity).

Permeability is generally low, but horizontal drilling and multi-stage fracs (10 to 30 stages) have proven successful in enhancing well productivity (as high as 1150boepd peak 30-day average).

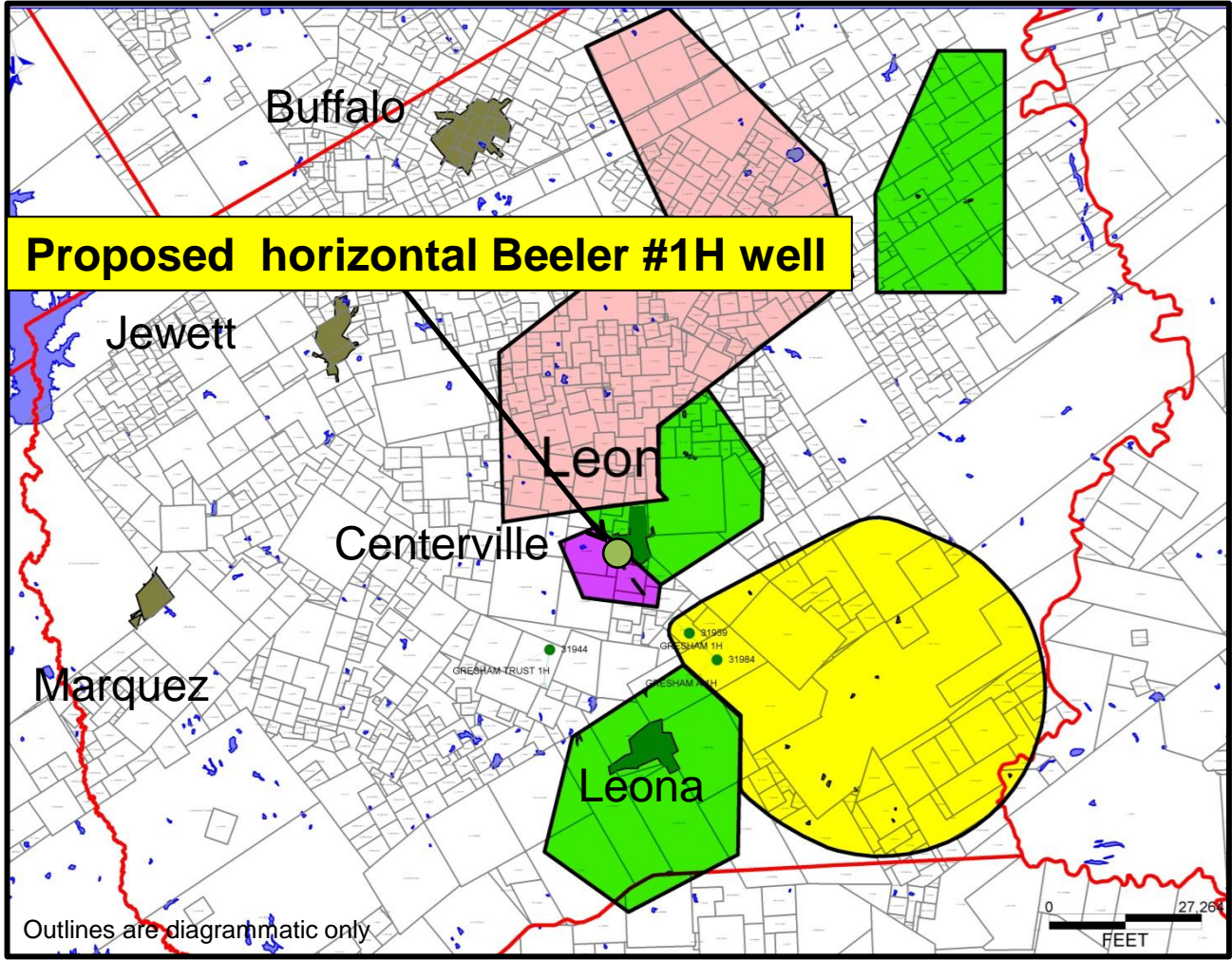
It is possible that some wells have benefitted from contribution from other fraccable zones such as the Austin Chalk. Generally there is little to no faulting across the Woodbine tight oil play with stratigraphic fingers spread across Leon and adjacent Counties. Substantial vertical production history has, to a large extent, de-risked the Woodbine tight oil play in and around Leon and adjacent Counties.

Third Woodbine
Transaction

Richland Oil Project
1360 acres

Beeler #1H well
Leon County, Texas

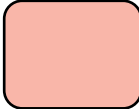





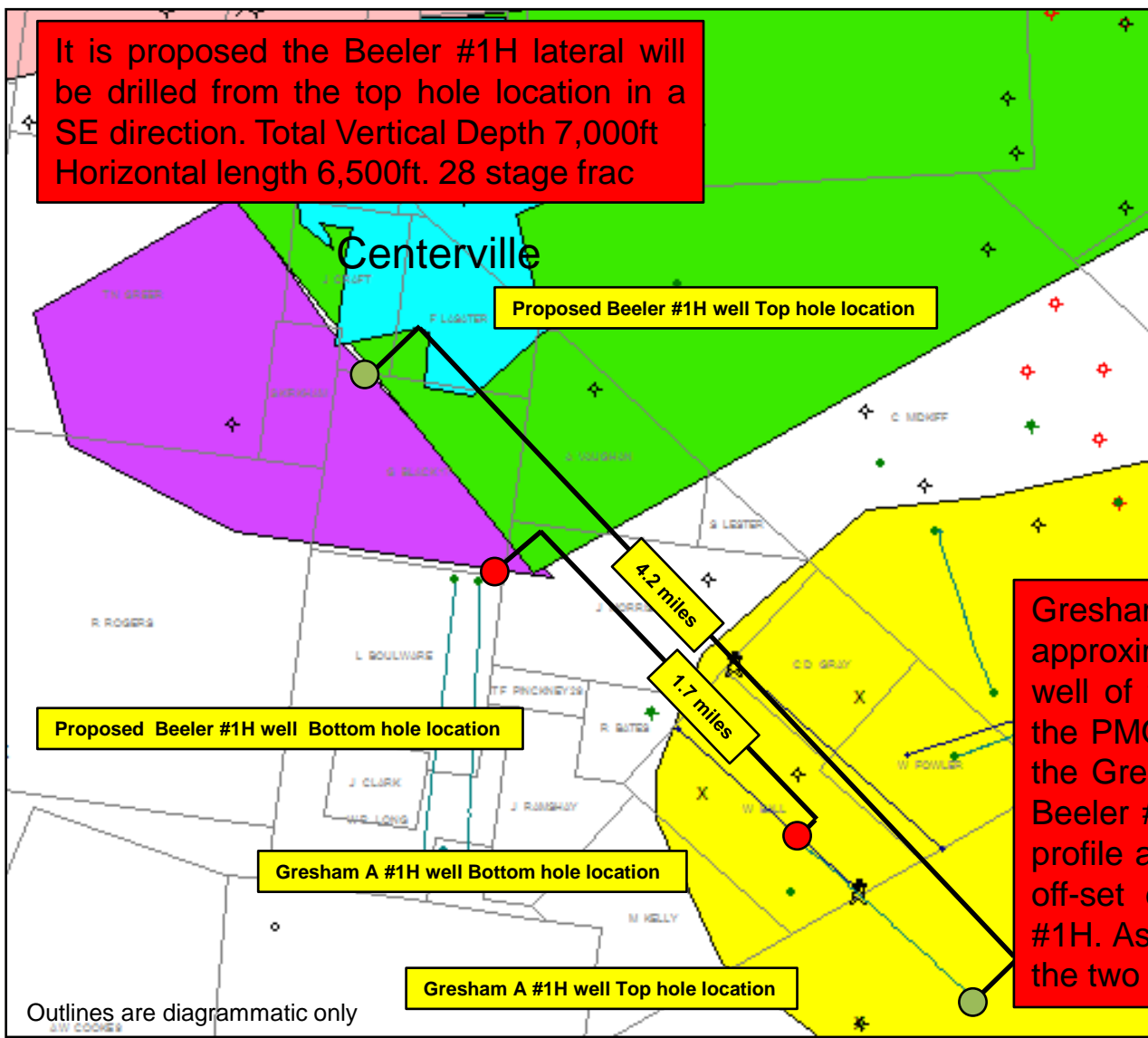


- Sun Delta leases (100%WI)
- Ameril/ Sun leases (50:50)
- Richland (50%)
Ameril (25%)
Sun (25%)
1360 acres
- Halcon US\$500m
Ameril/PMO Oil Field purchase

Proposed Beeler #1H well location and lease layout

It is proposed the Beeler #1H lateral will be drilled from the top hole location in a SE direction. Total Vertical Depth 7,000ft Horizontal length 6,500ft. 28 stage frac

-  Sun Delta leases (100%WI)
-  Amerril/Sun leases (50:50)
-  Richland (50%) Amerril (25%) Sun (25%) 1360 acres
-  Halcon US\$500m Amerril/PMO Oil Field purchase



Gresham A #1H well is currently producing approximately 600bopd. It is the second best well of the 15 horizontal Woodbine wells in the PMO Oil Field. Amerril still owns 25% of the Gresham A #1H well. Sun interprets the Beeler #1H well location as having a similar profile and can be regarded as a step-out or off-set development well from Gresham A #1H. As proposed the bottom hole location of the two wells will be only 1.7 miles apart.

Outlines are diagrammatic only

Proposed Beeler #1H well location

Vertical Well A

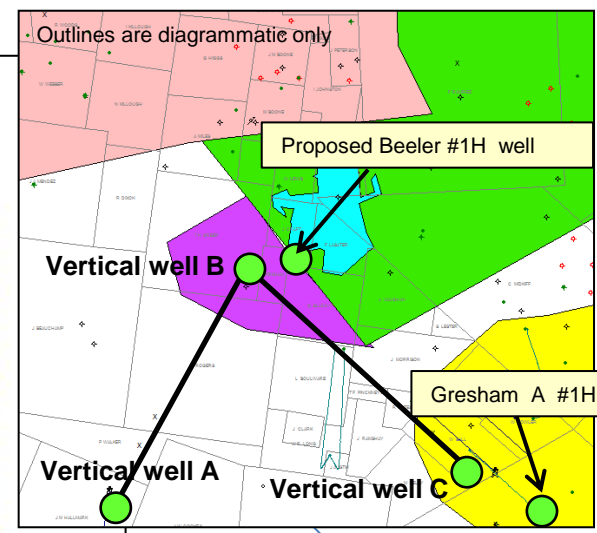
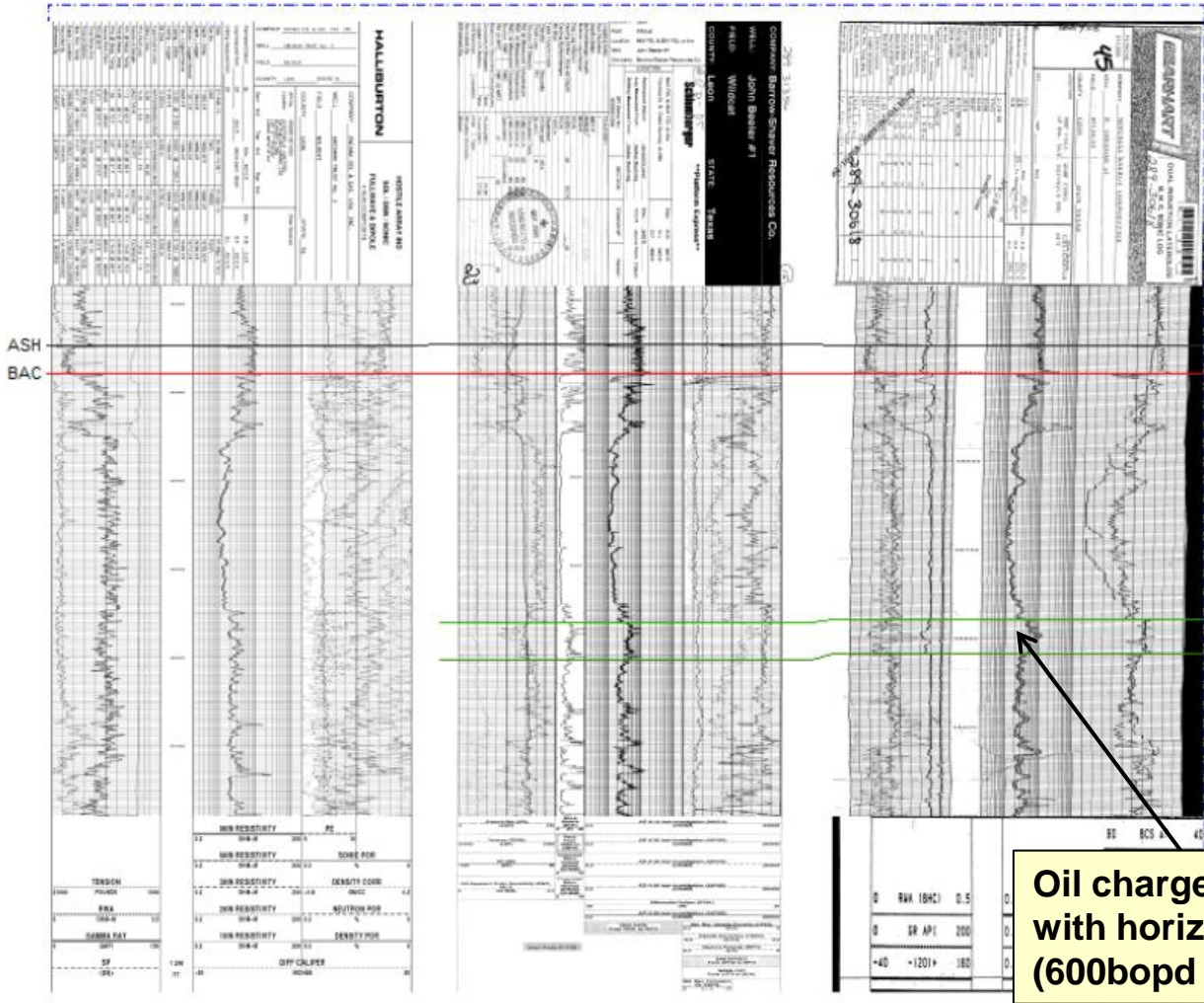
Vertical Well B





Vertical Well C

GRESHAM TRUST 3
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ELEV_KB : 437

BEELER JOHN 1
42289313560000
ELEV_KB : 360

GRESHAM ROBERT E 1
42289306180000
ELEV_KB : 375



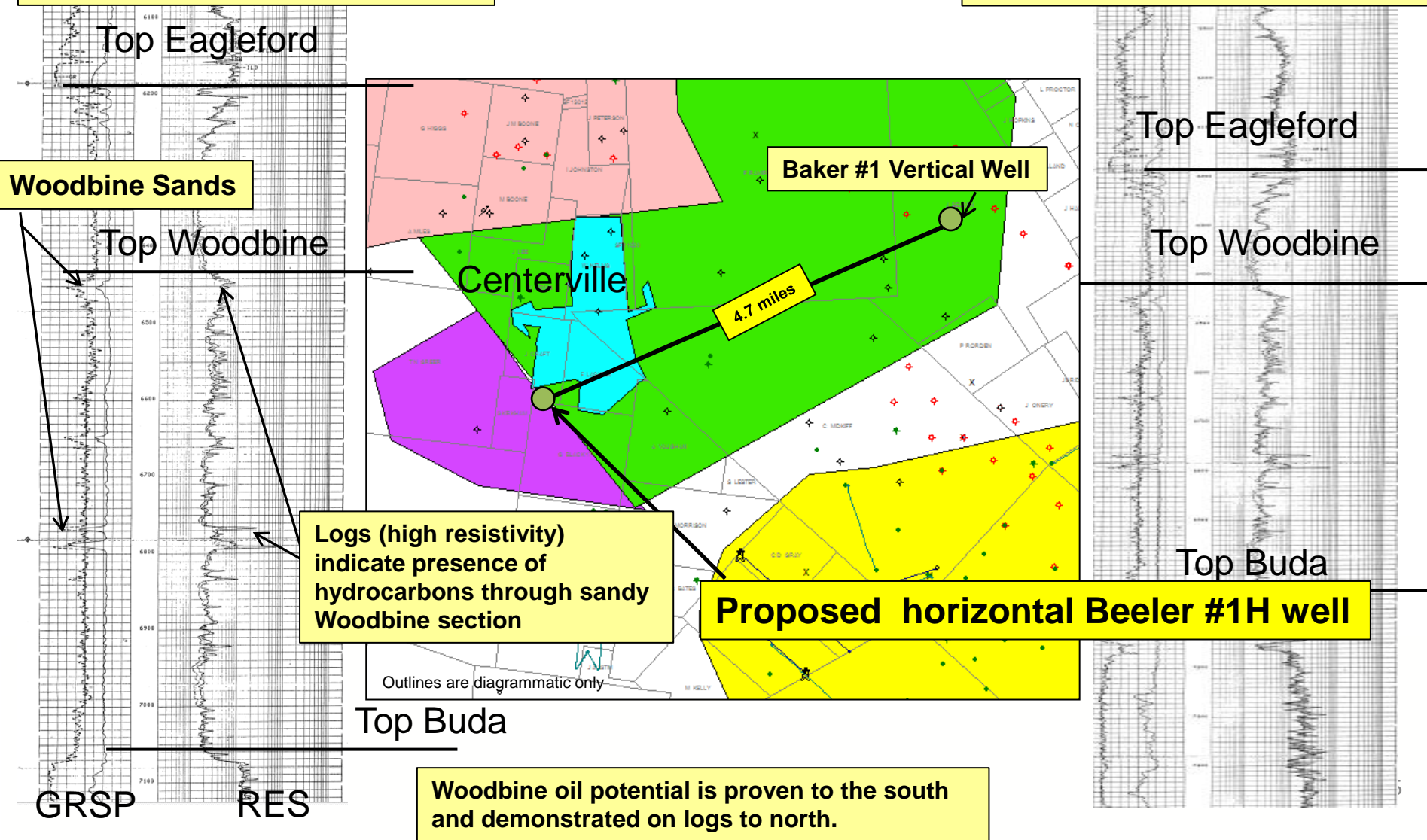
-  Sun Delta leases
-  Amerrill/Sun leases
-  Richland/ Amerriil/Sun Farmin -1360 acres
-  Halcon US\$500m Amerrill/PMO Oil Field purchase

Oil charged Woodbine sands correlate with horizontal well Gresham A #1H (600bopd production)

Beeler #1H well: based on logs of three nearby old vertical wells and currently producing horizontal well Gresham A #1H (600bopd)

Baker #1 Old Vertical Well

Baker #1 Old Vertical Well



Proposed Beeler #1H well is 4.7 miles from old vertical well Baker #1 whose well log is interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine.

Leathers #1 Old Vertical Well

Leathers #1 Old Vertical Well

Woodbine Sands

Top Woodbine

Leathers #1 Vertical Well

1.8 miles

Centerville

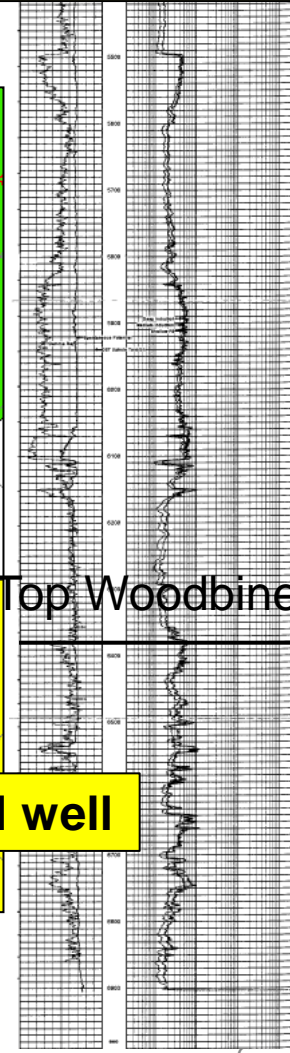
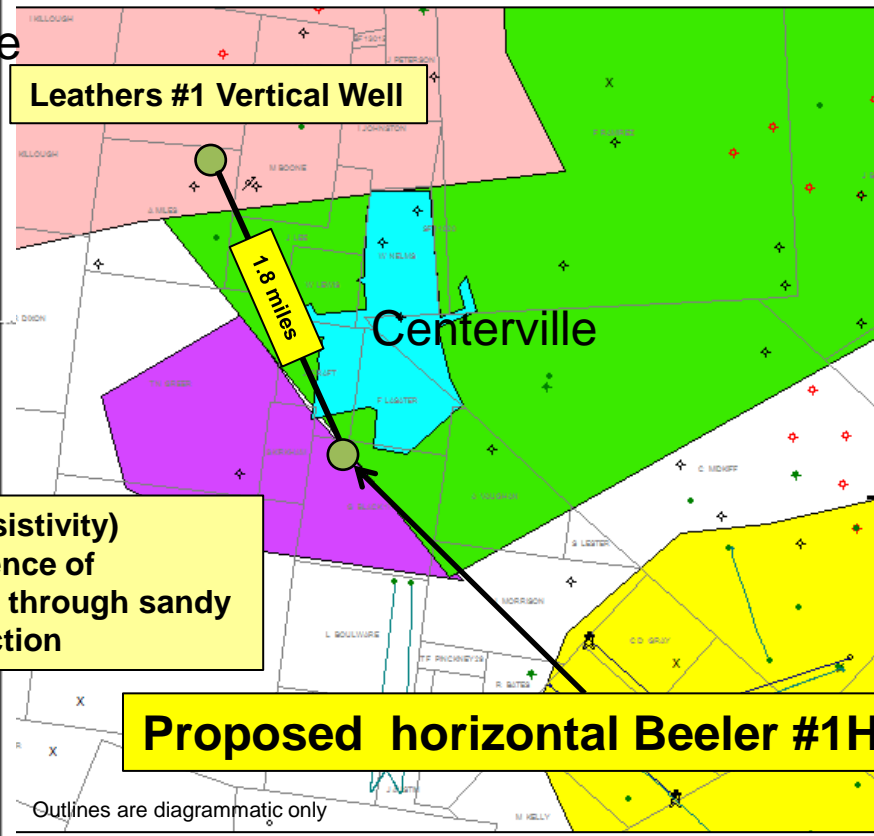
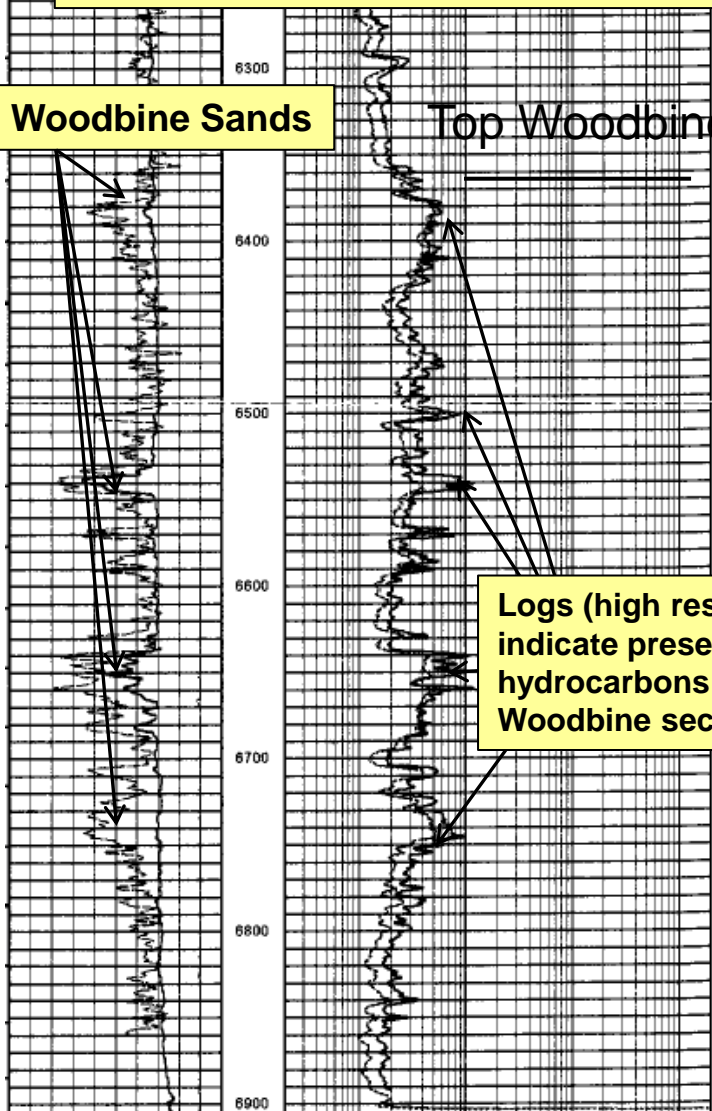
Logs (high resistivity) indicate presence of hydrocarbons through sandy Woodbine section

Top Woodbine

Proposed horizontal Beeler #1H well

Outlines are diagrammatic only

Woodbine oil potential is proven to the south and demonstrated on logs to north.

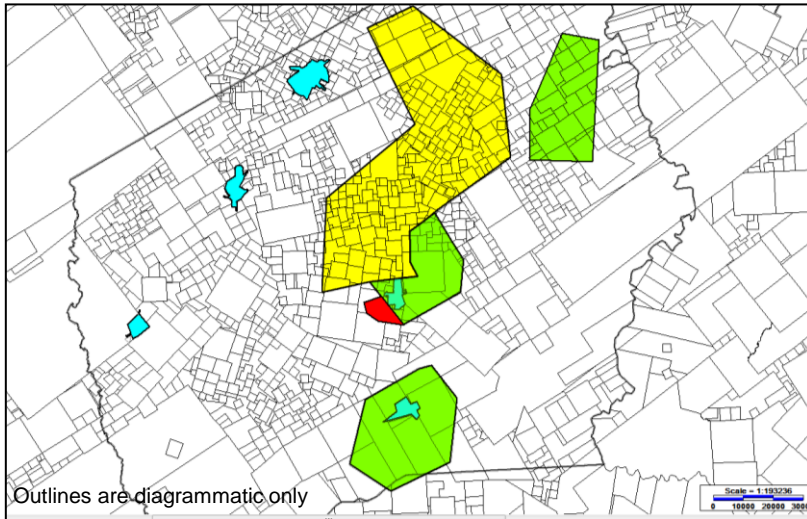


Proposed Beeler #1H well is only 1.8 miles from old vertical well Leathers #1 whose well log is interpreted by Sun to indicate the presence of hydrocarbons through the Woodbine.

Three Woodbine Transactions in Leon County, Texas


- Material working interest in Leon County, Texas of **22,000 gross acres (14,833 net acres)**


- 100% working interest (75% NRI) in 8,347 acres (**Delta Oil Project**), targeting 10,000 acres in coming weeks
- In process of acquiring a 50% working interest (37.5% NRI) in additional 12,293 acres adjacent to Delta Oil Project from Amerril Energy LLC (**Amerril Oil Project**)
- New transaction to earn 25%WI in 1,360 acres (**Richland Oil Project**) that will include immediately drilling a horizontal well Beeler #1H. Spud date is on or about Friday 17 August 2012.



SUN'S FOOTPRINT IN LEON COUNTY TEXAS

 Delta Oil Project lease areas

 Amerril Oil Project lease areas

 Richland Oil Project lease areas

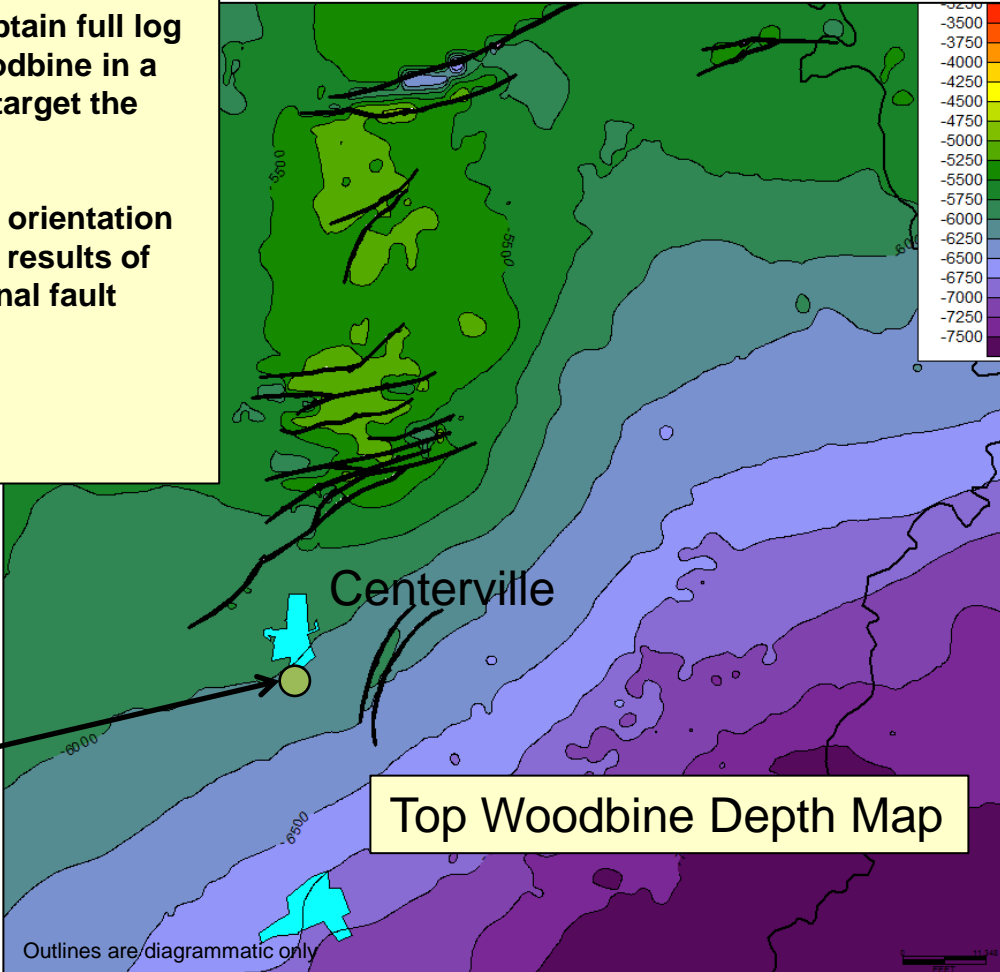
Beeler #1H well: drill, log, stimulate and complete

Proposed Measured Depth: 13,500ft
Proposed True Vertical Depth: 7,000ft

Geological Objectives: Drill to Georgetown Formation, obtain full log suite, deviate to drill a 6,500ft lateral extension in the Woodbine in a south-east direction toward the Gresham A #1H well and target the producing sands of this well.

The well will drill horizontally in a S.E. direction (a similar orientation to Gresham A #1H). This is a proven orientation given the results of Gresham A #1H and is supported technically by the regional fault trends.

Spud Date: On or about Friday 17 August 2012
Completion Date: On or about 27 September 2012



Proposed horizontal Beeler #1H well

Proposed Beeler #1H well