

16 September 2011

ASX Limited  
Company Announcements  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

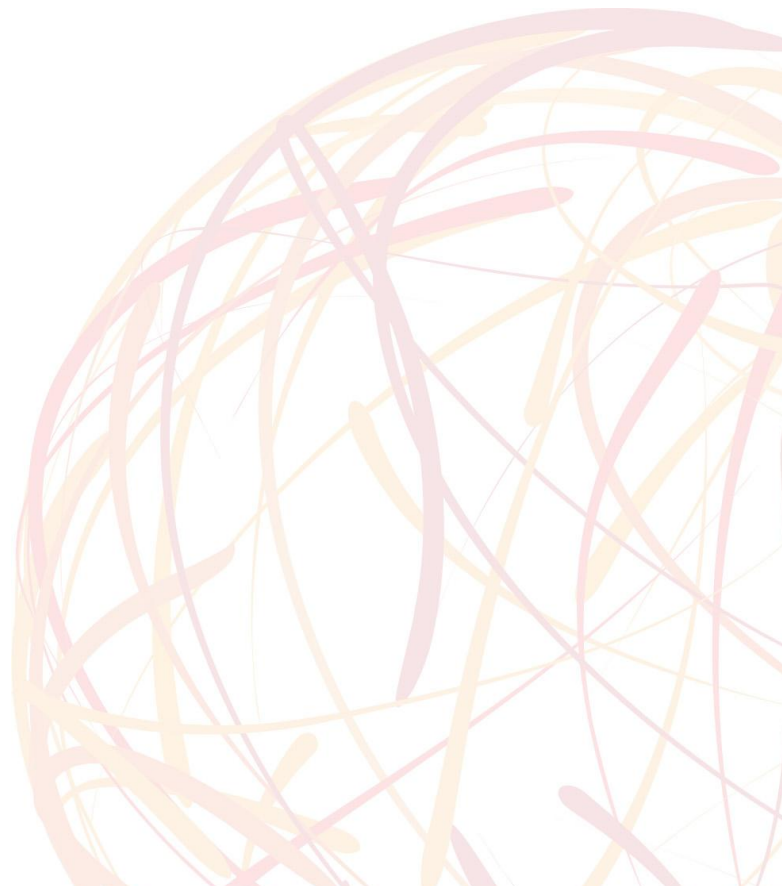
**SUN INTEREST IN THE DELTA OIL PROJECT INCREASES TO 2,922 ACRES**

Please find attached the following announcement in relation to the Delta Oil Project in Texas, USA.

Yours faithfully  
**SUN RESOURCES NL**



Matthew Battrick  
**MANAGING DIRECTOR**





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16 September 2011

## **Sun Interest in the Delta Oil Project Increases to 2,922 Acres Leasing Programme Ongoing, Targeting 10,000 "Eaglebine" Acres**

- **Sun Resources NL secures additional 1,238 acres in the Delta Oil Project, Texas USA**
- **100% Working Interest in a total of 2,922 acres secured to date along trend of Eagle Ford Shale**
- **Leasing continues toward the target 10,000 acres**

The Board of Sun Resources NL ("**Sun Resources**", "**Sun**" or "**the Company**") is pleased to report that it has completed the acquisition of the first two tranches of oil and gas leases within the Delta Oil Project, onshore Texas, pursuant to the binding Term Sheet executed on August 26<sup>th</sup> 2011.

Sun has now secured a significant 100% working interest in a total of 2,922 acres of oil and gas leases along trend of the Eagle Ford Shale oil fairway, and will continue progressing the acquisition of further acreage in the Delta Oil Project (up to 10,000 net acres in total), subject to the completion of due diligence, shareholder approval and completion of tranche 2 of the placement announced on 31 August 2011, and execution of a formal Asset Purchase Agreement between Sun Resources and the vendor.

### **Entitlement Issue**

Sun Resources is offering existing shareholders the opportunity to increase their investment in the Company as it embarks on this major acquisition in Texas, USA, by undertaking a non-renounceable Entitlement Issue at the same price as the recently announced Placement. This offer price of 1.7 cents per share reflects a discount of 26% to Sun's last closing price prior to this announcement.

The Entitlement Issue will allow every Sun Resources shareholder who was registered as a shareholder at the close of business on 9 September 2011 ("**Record Date**") to subscribe for 1 new share for every 4 shares held in Sun Resources. The Entitlement Issue will raise up to approximately \$1.9 million if fully subscribed, and Sun's Directors will reserve the right to place any shortfall from the Entitlement Issue at their discretion. Details of the Entitlement Offer are contained in the Offer Document that was mailed to shareholders on 2 September 2011. A Notice of Meeting will be also mailed to shareholders in the coming days, which will contain details in respect of the acquisition of the Delta Oil Project, and the Placement.

Sun Resources' Managing Director, Mr Matthew Battrick commented on the acquisition, saying:

*"Sun is pleased to have secured these two tranches of mineral leases covering high quality acres in the Eaglebine oil play of East Texas, on trend with the world-class Eagle Ford Shale oil and gas fairway. We look forward to securing the balance of the 10,000 net acres to provide Sun with a very significant position in this emerging oil play."*

The Company looks forward to providing further updates to shareholders as the acquisition is progressed over the coming weeks, and as Sun Resources progresses towards development of the Delta Oil Project.

## About the Delta Oil Project

On 26 August 2011 Sun Resources announced that it had entered into a binding term sheet with a Houston based private oil and gas company to acquire up to 10,000 net acres of oil and gas leases<sup>1</sup> (**Delta Oil Project**), all located within the oil zone of the Eagle Ford Shale trend in Texas, USA. Sun will acquire a 100% working interest in all of the leases, each with a minimum 75% net revenue interest, a three year lease term, and in most instances, also have a 2 years option to extend the lease term.

The Delta Oil Project leases are located in the rapidly expanding new 'Eaglebine' play within the overall Eagle Ford Shale trend in Houston, Madison, Leon and Robertson Counties, Texas. In this new resource play, horizontal fraced wells have obtained significant oil production from brittle, sandy units (**Woodbine Sands**) near the base of the Eagle Ford Shale at relatively shallow depths.

Recent horizontal wells within 35 miles of the Delta Oil Project have obtained initial flow rates of 900 to 1,200 barrels of oil per day from multi-staged fraced laterals of 6,000 to 7,000 feet in sandstone units and operators are reporting Estimated Ultimate Recoveries (**EUR**) of 300,000 to 600,000 barrels of oil per well. These results are comparable to wells in the Eagle Ford Shale oil zone in the well-known producing areas. In addition, the Eaglebine target reservoir depths of 5,000 to 8,000 feet are shallower than typical Eagle Ford Shale wells resulting in materially lower well costs which should materially improve the net present value (**NPV**) of individual wells.

Early recognition of the potential of the emerging Eaglebine play has enabled Sun to acquire a substantial lease holding at lease costs significantly lower than those in the well-known areas of the Eagle Ford Shale oil trend. Utilising information from old vertical wells situated within the boundaries of the leases and recent horizontal well production history from nearby Eaglebine producing wells, independent Houston based petroleum engineering and geological consultants, Ralph E Davis Associates Inc. (**Ralph E. Davis**) has estimated **unrisked net Prospective Resources within the Delta Oil Project of 10 million barrels of oil from one sand unit and potential upside of a further unrisked 10 to 20 million barrels of oil from other sand units within the 400 feet thick target zone.**

The Ralph E. Davis net Prospective Resource estimate uses the following assumptions:

- a total of 30 wells spaced at 320 acres (i.e. 30 wells across 10,000 acres);
- each well with an Initial Production (**IP**) rate of 700 barrels of oil per day (**Bopd**);
- each well with an EUR of 452,000 barrels of oil (**bo**) per well from one 20 feet thick sand unit located over all of the Delta Oil Project area;
- oil at US\$90 per barrel and gas at US\$4 per thousand cubic feet (**Mcf**) held flat for the well life of 30 years;
- each well with a productive life of 30 years;
- capital cost of US\$6 million per well; and
- operating costs of US\$10,000 per month per well.

Assuming production of the 10 million barrels of Prospective Resources, Ralph E. Davis estimated the NPV of the Delta Oil Project of **US\$310 million**<sup>2</sup> which equates to:

- NPV of **US\$10,333,333 per well**; and
- NPV of US\$31 per barrel of oil for 10 million barrels of oil from one 20 feet thick sand unit.

**For further information please contact:**

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<sup>1</sup> Sun will work with the Vendor to acquire up to 10,000 acres, however, less than 10,000 acres may ultimately be acquired. The numbers throughout this announcement are based on the acquisition of 10,000 acres.

<sup>2</sup> Discounted at 10%, net of royalties, capital costs, operating costs and state taxes but excluding company income taxes.



Information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has 30 years experience in the practice of geology and more than 25 years experience in petroleum geology.

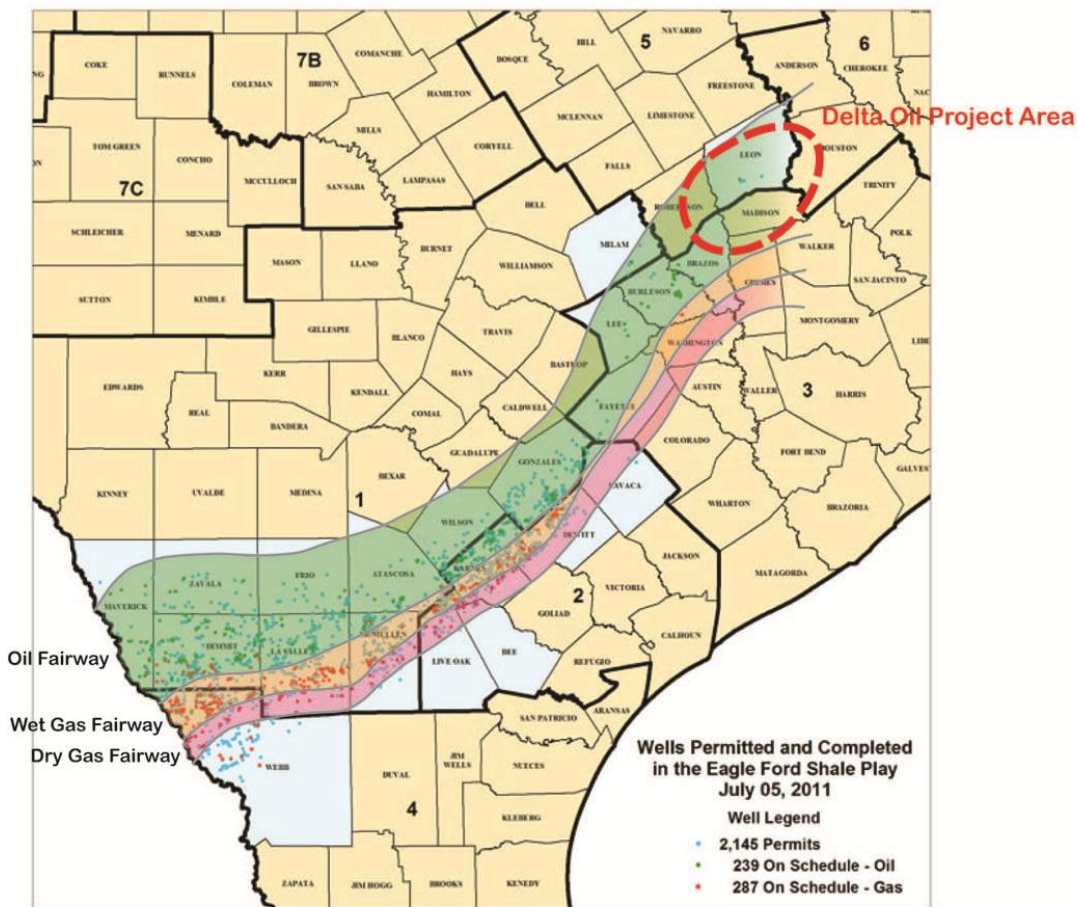
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This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements relate to, among other things, the expected closing dates of tranches 1 and tranche 2, and the closing date of the acquisition, and 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.

### EAGLE FORD SHALE TREND, TEXAS



Source: Texas Railroad Commission