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Monday 11 June 2012

## Update on the Delta Oil Project

- **Halcón Resources Corporation (NYSE:HK) (Halcón) has agreed to purchase 75% of the nearby Petromax (PMO) operated Woodbine oil production asset for a total consideration of US\$378 million**
- **This oil production asset has 14 horizontal wells on production (each producing from the Woodbine formation) and lies adjacent to Sun's Delta Oil Project leases**
- **This oil production asset is comprised of 16,365 net acres. Net daily production from this oil production asset is about 2,000 barrels of oil equivalent per day as at the start of June.**

The Board of Sun Resources NL ("**Sun Resources**", "**Sun**" or "**the Company**") is pleased to provide an update on positive developments with respect to Sun's Delta Oil Project located in Leon County, Texas.

News services in the USA have reported that Halcón Resources Corporation (NYSE:HK) (**Halcón**) will buy 75% of the Petromax Operating Company, Inc (**PMO**) operated Woodbine oil production asset which is immediately to the south-east of Sun's oil and gas leases in Leon County, Texas.

Halcón will pay US\$378 million, comprised of US\$222 million in cash and issue approximately 16.5 million shares to buy a 75% interest in this oil production asset which covers 16,365 net acres. Net daily production from this oil production asset is about 2,000 barrels of oil equivalent per day as at the beginning of June.

Sun controls a 100% working interest in 8,347 acres of leases in the Delta Oil Project in Leon County, Texas, USA, along trend of, and adjacent to, the oil production asset being purchased by Halcón. In addition, Sun is in the process of purchasing a 50% working interest in 12,293 acres owned by Amerril Energy LLC, which are also along trend of, and adjacent to, the oil production asset being purchased by Halcón.

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

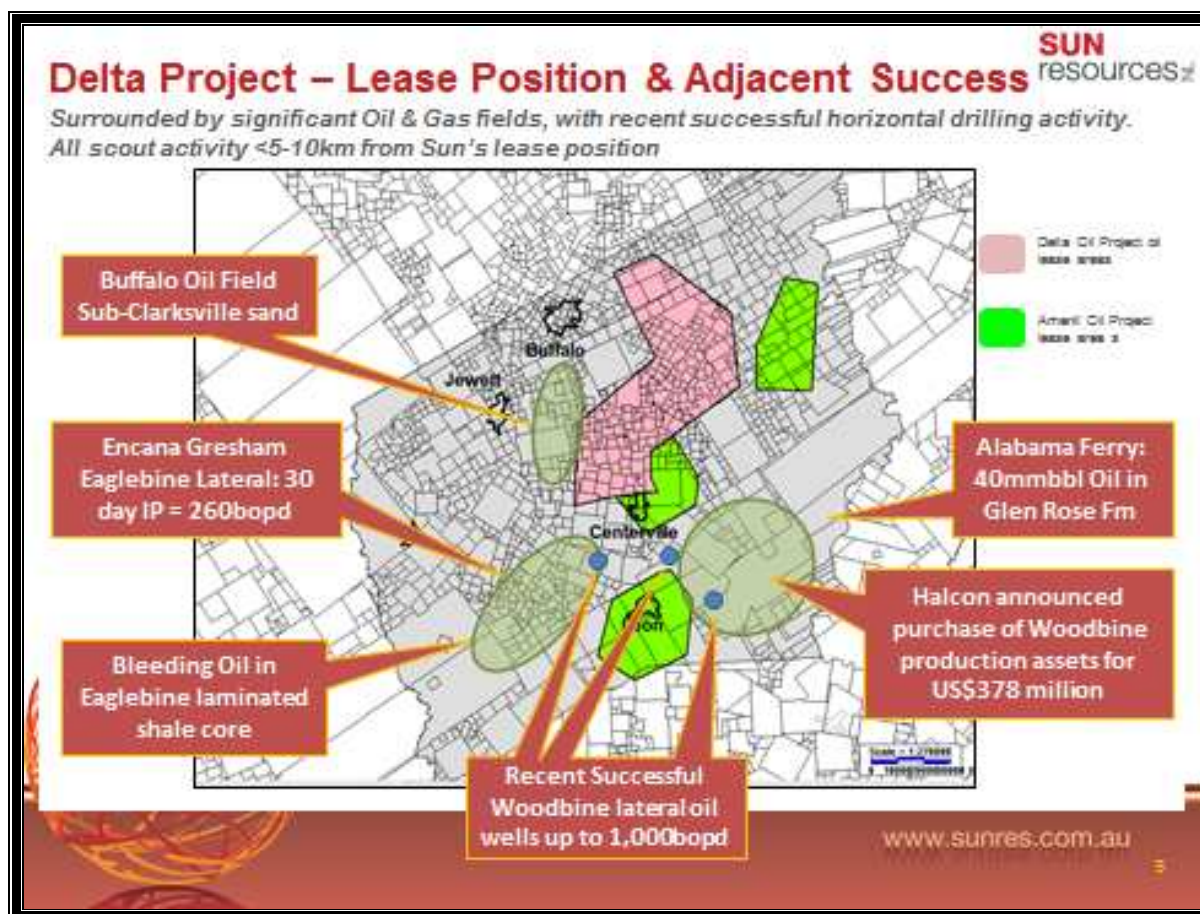
*"This substantial investment by Halcón into the Woodbine play is a strong endorsement of the significant potential of the Woodbine and clearly demonstrates the value of Sun's Delta Oil Project in Leon County."*

**For further information please contact:**



Matthew Batrick  
**Managing Director**

Telephone: (08) 9388 6501, Email: [admin@sunres.com.au](mailto:admin@sunres.com.au)



**Figure 1:** Location of Sun’s Woodbine Oil Play leases and approximate position of recent drilling and corporate acquisition activity. Delta Oil Project lease areas are in pink, Amerril Oil Project leases are in green.

### 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.

Sun also announced on 7 May 2012 it had entered into a legally binding Sale and Purchase Agreement with Amerril Energy LLC which is the US oil subsidiary of Chinese corporate Qingdao Kingking Group (**Amerril**), to purchase from Amerril a 50% working interest (**WI**) and 37.5% net revenue interest (**NRI**) in 12,000 acres of oil and gas leases (6,000 net acres) (**Amerril Oil Project**) which are located immediately adjacent to Sun’s existing Delta Oil Project for a purchase price of US\$5,000,000 cash and 200,000,000 shares in Sun issued at A\$0.05 per share. When combined with Sun’s existing Delta Oil Project acreage (8,347 acres with a 100%WI), this purchase will deliver to Sun a gross acreage position of 20,347 acres (14,347 net acres) within the rapidly developing Woodbine play, on the prolific Eagle Ford Shale Oil Fairway.

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

<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.

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; at a 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.

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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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.

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