

Thursday 11 December 2014

## **EOG reports first Buda Formation horizontal oil well completion near Jack Howe #1H Lateral**

- EOG has recently reported initial production rates for its first horizontal Buda Formation completion within 8 miles (13 km) of Sun's Normangee, Lower Woodbine lease position.
- A one-day flow period (1-day IP) has been reported at 330 bopd after recovering almost 9,000 barrels of oil prior to the reported daily flow rate.
- Sun has selected a short list of suitable fracking companies as planning progresses for the multi-stage hydraulic fracturing programme on the Jack Howe #1H lateral – currently targeting early 2015.
- The Board of Sun has resolved to manage its cash position by accepting shares in the Company for directors' fees in lieu of cash for a minimum of three months from 1 January 2015.

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Sun Resources NL ("**Sun**" or "**Company**") (ASX: SUR) is pleased to provide an update on nearby drilling activity and the status of its planning for the execution of the multi-stage hydraulic fracturing programme (fracking) in the Jack Howe #1H lateral.

### **EOG Completes a Buda Formation Lateral Oil Well Near Sun's Normangee Oil Project**

According to reports lodged with the Texas Rail Road Commission ("**RRC**") and reported in the scout service "DrillInfo", EOG Resources Inc ("**EOG**") has completed the Golden Wave Unit #1H, as the fourth well completion on the Grove Unit 4-well pad, in the Buda Formation. The first three wells were Grove Unit #1-3H and all were Lower Woodbine completions with solid 30-day IP rates: 240-420 bopd. The report filed with the RRC for the Golden Wave Unit #1H well shows a 1-day IP of 330 bopd with a GOR of 727 cubic feet per barrel and a water rate of 1,460 bwpd, after almost 9,000 bbl oil was produced. This well is located just 8 miles (13 km) west of the Jack Howe #1H location and demonstrates the potential of the Buda Formation to add a second target, immediately below the Lower Woodbine, across Sun's Southern Woodbine lease position (figure 1). Oil and gas shows were recorded while drilling through the Buda-Georgetown formations in both Sun's Jack Howe #1 and Seale #1 vertical pilot wells.

Sun notes that EOG, one of the largest and most successful independent oil companies focused on unconventional development in the USA and believed to be the largest operator in the Southern Woodbine area (where Sun already has an established land position) has been recently actively leasing additional Woodbine acreage. As recently reported, EOG has successfully drilled and completed 11 'laterals' in the Lower Woodbine target, to the east and west of Sun's Normangee Oil Project, and delivered a range of 30-day initial production rates of between 200-600 bopd. The most recent EOG lateral completion, Zeus #1H was drilled and successfully completed only 6 km east of Sun's Jack Howe #1H vertical pilot well. Zeus #1H is currently in production, having delivered a minimum 500 boepd 30-day IP, as reported. Zaza Energy Corporation, a partner with EOG in the Eaglebine, noted robust economics in the play with rates of return at 50% at an US\$80 oil price.

Sun further notes that another operator in the area, Texas Presco, Inc., has spudded its first horizontal well targeting the Buda Formation; Samuel #1H. This well is located midway between Sun's Normangee and SW Leona Oil Project areas and immediately north of the EOG-operated Zeus #1H well. Further information about this operation will be reported as and when it becomes available.

### **Sun Shortlists Contractors for Multi-stage Fracking of Jack Howe #1H Lower Woodbine Lateral**

The final frack design has now been bid out to local fracking service companies with experience in the Eaglebine and a short list of suitably qualified contractors, with local Woodbine experience, have been selected. The frack design will be applied to the oil pay identified in the Jack Howe pilot well and confirmed by the strong oil and gas shows in the lateral section of the well. Sun's management team in Texas is looking to move forward quickly to unlock the value of its asset base in the rapidly developing Eaglebine, oil-rich play of East Texas. We expect to fast track the development of the Normangee Oil Project once the Jack Howe well is fracked and flowing back oil. The current target for commencement of fracking is as early as possible in the first quarter 2015. Further updates will be provided as planning proceeds.

### **Board Measures to Manage Cash Reserves**

The Board has approved the issue of shares in Sun Resources NL to the Directors in lieu of cash payments for directors' fees for a minimum of three months from 1 January 2015. In addition, the Board has approved that the Managing Director, Matthew Battrick receive 25% of his salary package in the form of shares in the Company for a minimum of three months from 1 January 2015. Sun intends to seek shareholder approval for these Board resolutions.

The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since June 2014.

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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.

# Sun's Position in the Southern Woodbine

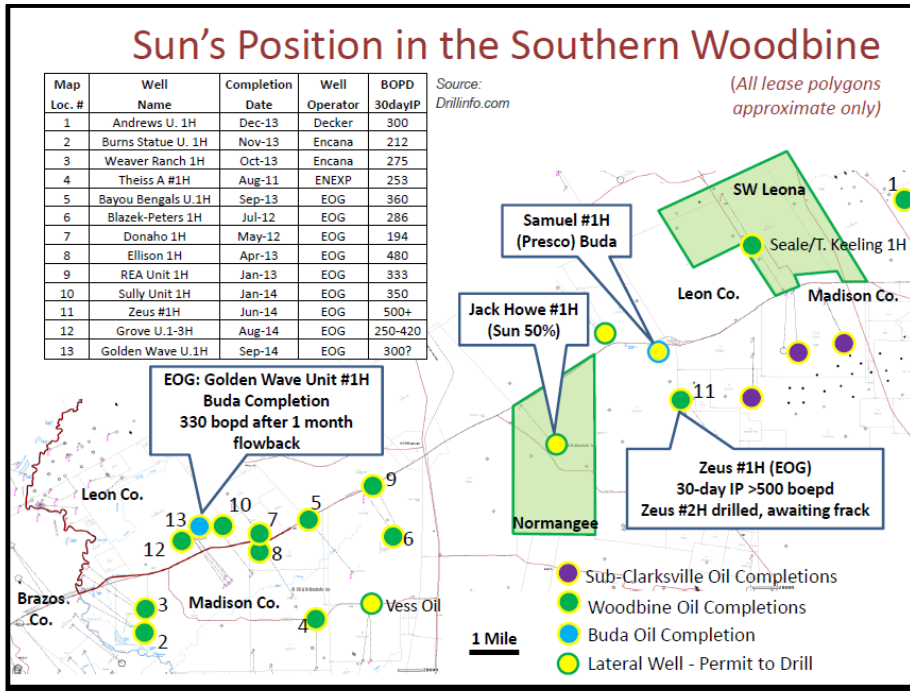


Figure 1: Location of EOG's Lower Woodbine and Buda Fm Oil-producing lateral wells and relative position of Sun's Normangee and SW Leona Oil Project areas