

**SUN**  
resources

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31 January 2014

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

Dear Sir/Madam

**RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2013**

Please find the Quarterly Activities Report for the period ended 31 December 2013 for Sun Resources NL (ASX: SUR).

Yours faithfully  
**SUN RESOURCES NL**



Dr Govert van Ek  
**Managing Director**



# QUARTERLY ACTIVITIES REPORT

## FOR THE PERIOD ENDING 31 DECEMBER 2013

### HIGHLIGHTS

#### Corporate

- In November 2013, Sun Resources NL ("**Sun**" or "**the Company**") (ASX: SUR) raised \$6.3 million via a placement of ordinary shares to sophisticated investors, including Sun's two substantial shareholders, a subsidiary of Hancock Prospecting Pty Ltd and Amerril Energy LLC ("**Amerril**").
- The placement of 210 million new shares was undertaken at an issue price of A\$0.03 per share.
- Professor Ian Plimer was appointed as Non-Executive Chairman at the Annual General Meeting after Dr Wolf Martinick stepped down as the incumbent Chairman.
- Sun held cash of A\$15.9 million at the end of the December 2013 Quarter.

#### Amerril Oil Project, (Centerville AMI, Sun: ~18% WI)

- The Operator, Amerril (40%WI) completed drilling operations at the F. Thompson #1H well during the Quarter, with the well drilled and cased to a revised total measured depth (MD) of 12,030 feet.
- The F. Thompson #1H well has a total of approximately 5,000 feet of horizontal section completed in the target Upper Woodbine interval with oil shows recorded while drilling.
- Amerril advised that a 17-stage, multi-stage fracing operation had commenced at the well on 27 January 2013.
- Sun's working interest in this well is 18% and the cost therefore will be approximately US\$1.2 million net to Sun (US\$6.7m total well cost) within a 1,855 gross acres AMI area agreed between the joint venture parties.

#### Delta Oil Project (Sun: 100%WI)

- Petro-Hunt LLC ("**Petro-Hunt**") is continuing with planning and preparation for a well in the Area of Mutual Interest (AMI) it has with Sun, consisting of approximately 7,832 acres in northern Leon County.
- The combined total of land leased now exceeds 3,640 acres, with the ownership split between Petro-Hunt 75% WI as Operator, and Sun 25% WI.
- The first well in this AMI will target the Lower Woodbine (referred to as the "C" or "Dexter" sands by Industry) and is currently planned to be spudded in the first Quarter of 2014.

## **UNITED STATES OF AMERICA**

### **OIL AND GAS EXPLORATION AND DEVELOPMENT**

During the Quarter, Sun's net lease position in the Delta Oil Project increased from 11,820 net acres to 11,936 net acres with the addition of 116 net acres in the Petro-Hunt AMI. This uplift was offset by a reduction of net acres in the Amerril Oil Project, as the working interest parties elected not to renew 993 net acres in the Eunice Area of the Amerril Oil Project. At the end of the reporting period, Sun's total net acres of oil and gas leases in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was 19,188 acres.

#### **Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)**

As reported in the June 2013 Quarterly report, Sun executed a binding agreement with Petro-Hunt LLC ("**Petro-Hunt**") to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in Northern Leon County, Texas. Sun and Petro-Hunt had each contributed an initial tranche of oil and gas leases that totalled 3,240 acres. Petro-Hunt has continued to lease oil and gas rights in the AMI and the current gross amount of acres leased stands at approximately 3,641 gross acres (910 acres net to Sun).

Petro-Hunt, based in Dallas, Texas, is the Operator of the AMI area and they have advised that planning for the vertical pilot well was continuing at the end of the Quarter. The well will target the Lower Woodbine ("C" or "Dexter" sands) that are producing oil in offset vertical wells. Once operations commence, the vertical pilot well will take approximately three weeks to drill and evaluate. Sun retains a further 11,010 net acres elsewhere in the Delta Oil Project that will be the subject of future activity, by way of farm-out, joint venture or direct drilling activity in the coming months.

#### **Amerril Oil Project, Onshore, East Texas (Sun: 50% WI)**

A number of oil and gas leases in the Eunice Area of the Amerril Oil Project expired and the Operator Amerril elected not to renew the leases. As a consequence, Sun's net acreage position in that area reduced by 993 net acres.

#### **Amerril Oil Project (Centerville AMI, Sun ~18% WI)**

The Operator of the Centerville Area of the Amerril Oil Project completed the drilling of the F. Thompson #1H well and further advised Sun that 5 ½ inch casing was run and cemented at a final, revised total depth of 12,030 feet MD. The well was actively geo-steered to deliver approximately 5,000 feet (1,524 metres) of cased, horizontal section in the target Upper Woodbine section. The well will be subjected to a 17-stage, multi-stage hydraulic fracturing operation along the lateral. The multi-stage fracturing operation subsequently commenced pumping on 27 January 2013. A further update will be provided when the hydraulic fracturing operation is complete and flow back operations have commenced.

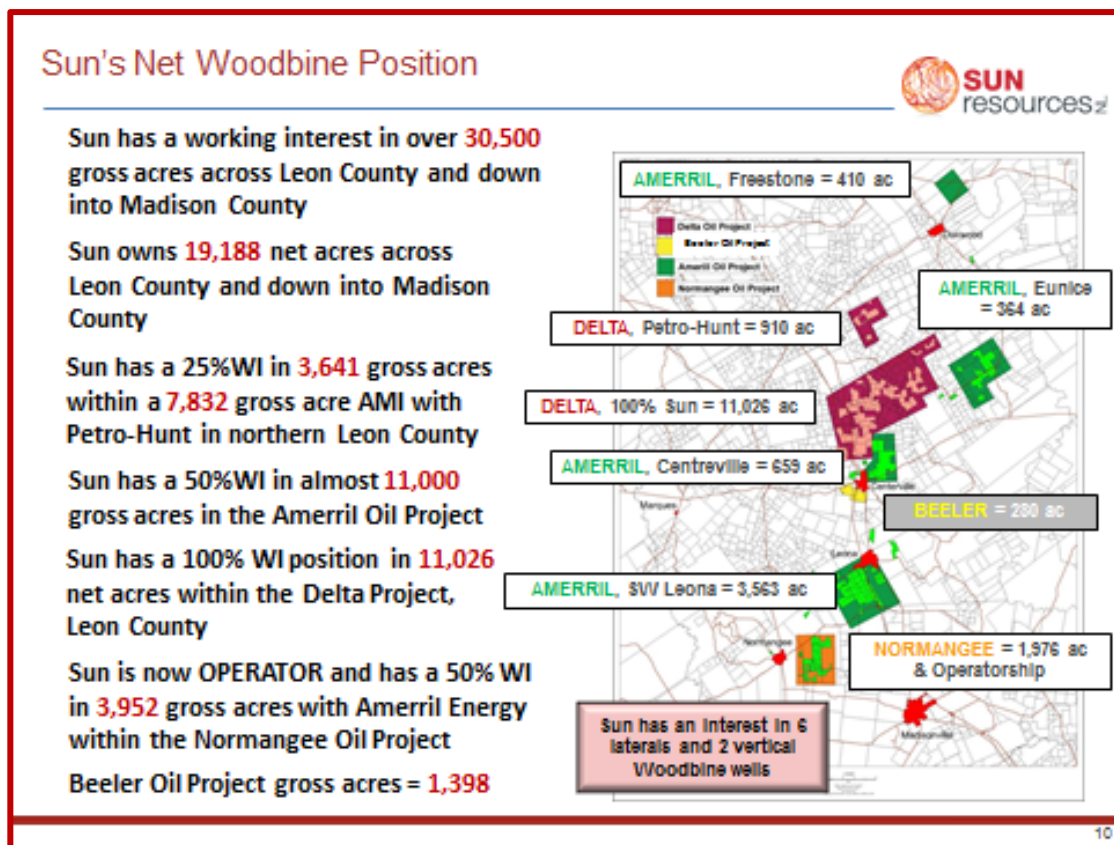
#### **Normangee Oil Project, Onshore, East Texas (Sun: 50% WI Operator)**

Sun, on behalf of its partner Amerril, continued with planning for the first pilot well and lateral in the Normangee Oil Project, a 3,952 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA. Sun has a 50% WI in the lease tracts and the balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril. The first well in the Normangee Oil Project will be the Jack Howe #1H and drilling operations are now expected to commence early in the first quarter of 2014. The initial vertical pilot well will take approximately three weeks to drill, core and evaluate the Woodbine and deeper targets. Sun has a 50% WI in a 3,952 gross acre package of oil and gas leases located on the

Leon County-Madison County border, Texas, USA (Normangee Oil Project). The balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril.

**Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)**

During the Quarter, the Operator, Amerril, continued with production activities at the Ellis #1H well and work over operations at the other two lateral Woodbine wells.



**FIGURE 1: SUMMARY MAP OF SUN’S WOODBINE PROJECT AREAS: DECEMBER 2013**

**OIL AND GAS PRODUCTION**

Table 1 below summarises Sun’s actual net working interest oil production for the December 2013 Quarter and compares it with the previous Quarter. Production for the Quarter is confined to oil production now coming from the Woodbine laterals in both the Beeler and Amerril Oil Projects, in Leon County, East Texas. At the time of this report, production figures for December 2013 were estimated.

PRODUCTION (Sun WI% share)	December 2013 Quarter	September 2013 Quarter
Gas (mmscfd)	0	0
Oil (bo)	2,523	3,106

Table 1: Quarterly Production (units: mmscfd – million cubic feet gas; bo – barrels of oil)

### **Margarita and Redback Projects, Onshore, South Texas (Sun: 37.5-50% WI)**

Sun continues with its efforts to divest remaining lease hold interests (430 gross acres) in these projects.

## **CORPORATE**

Sun announced on 6 November 2013 that it had resolved to raise \$6.3 million via a placement of ordinary shares to sophisticated investors, including Sun's two substantial shareholders, a subsidiary of Hancock Prospecting Pty Ltd and Amerril Energy LLC. The placement of 210 million new shares was undertaken at an issue price of A\$0.03 per share pursuant to the Company's 25% placement capacity in accordance with ASX Listing Rules 7.1 and 7.1A.

During the Quarter, a number of changes were made to the Board of Directors of Sun to increase the diversity of skills available to the Board and to help drive the next stage of projected growth of the Company. The Honorable Alexander Downer, AC and Professor Ian Plimer both joined the Board as Non-Executive Directors. Additionally, it was agreed that Professor Plimer would assume the Chairmanship of the Board of Sun at the Annual General Meeting held on 7 November 2013, with Sun's previous Chairman, Dr Wolf Martinick continuing as a Non-Executive Director.

Sun as a joint venture partner in the Beeler Oil Project is currently defending legal proceedings commenced by Richland Resources Corporation ("**Richland**") against Sun and the remaining joint venture partners in connection with the assignment of Richland's interest in various leases in January 2013. The quantum of this claim has yet to be ascertained by Sun and Sun has engaged US Counsel to assist with this task and its defence of the case generally. Sun believes, based on advice from its legal counsel that Richland's claim is without merit and will vigorously defend its position.

As previously reported, Sun has also become aware of the existence of claims of non-payment from a number of contractors who may have provided products or services to the Beeler Oil Project while Richland was the Operator. These claims are mainly directed at Richland. Sun has received legal advice from its US lawyers that under US law there is the potential for any proven unpaid creditors of Richland to lodge liens over the leases that comprise the Beeler Oil Project in an attempt to secure payment of any outstanding amounts owed by Richland. Such liens have been lodged and there is currently ongoing legal action in relation to these liens in the US. Sun has issued a general denial in relation to any claims made against Sun Delta Inc.

From the perspective of liability, should such claims have validity and remain undischarged, then in order to discharge any such liens Sun may have to satisfy any such proven claims by paying Sun's proportionate share. Assuming the need to discharge any such liens the Company's maximum estimated liability could be \$3,000,000.

Sun held cash of A\$15.9 million at the end of the December 2013 Quarter.

### **BY ORDER OF THE BOARD**



**Dr Govert van Ek**  
**Managing Director**

This report is lodged on the Company's website, [www.sunres.com.au](http://www.sunres.com.au).

Information contained in this report was sourced from the Operators of various Joint Ventures in which the Company has interests and was compiled by the General Manager, Technical of Sun Resources, Matthew Battrick, BSc (App. Geol), MPESA, MPESGB, MAAPG, GAICD who has had more than 30 years' experience in the practice of geology generally and more than 30 years' experience in petroleum geology.