

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

6 December 2011

## Sun Moves to 6,053 Acres of Delta Oil Project in Texas, USA

- Sun Resources secures 4<sup>th</sup> tranche of leases along trend of the Eagle Ford Shale Fairway, increasing to a significant holding of 6,053 acres in the Delta Oil Project
- Leasing continues towards the target 10,000 acres in this highly prospective oil play
- Delta Oil Project acquisition is fully funded by the completion of Sun's Placement and Entitlements Issue which recently raised \$10.8m

The Board of Sun Resources NL ("Sun Resources", "Sun" or "the Company") is pleased to report that further to the Delta Oil Project acquisition announcement dated 26 August 2011, Sun Resources has completed the acquisition of the fourth tranche of oil and gas leases in the Delta Oil Project, Texas.

Sun Resources now controls a 100% working interest in total of 6,053 acres of leases in the Delta Oil Project, which is situated along trend of the prolific Eagle Ford Shale oil and gas fairway in Texas, USA. Sun will continue to progress towards the acquisition target of 10,000 acres. This is particularly pleasing in light of scout reports of recent oil and gas drilling success in close vicinity to Sun's leasing area.

The acquisition of the first 4 tranches of oil and gas leases have been funded through a combination of the loan arrangement with Brad Farrell (also announced on 26 August 2011) that has since been fully repaid; from existing cash reserves, and Sun's recently completed equity raising of \$10.8 million (before costs). Further lease tranches will be purchased from the vendor, subject to completion of due diligence.

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

*"Sun Resources is pleased to have secured an outstanding lease position already with these four tranches of leases covering high quality acres in the Eaglebine play of East Texas, on trend with the world-class Eagle Ford Shale gas and oil fairway. We look forward to working with the vendor to secure the remaining acres as we target 10,000 gross acres, at a working interest of 100% (75% NRI)."*

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.

**For further information please contact:**



Matthew Battrick  
Managing Director

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

## 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.

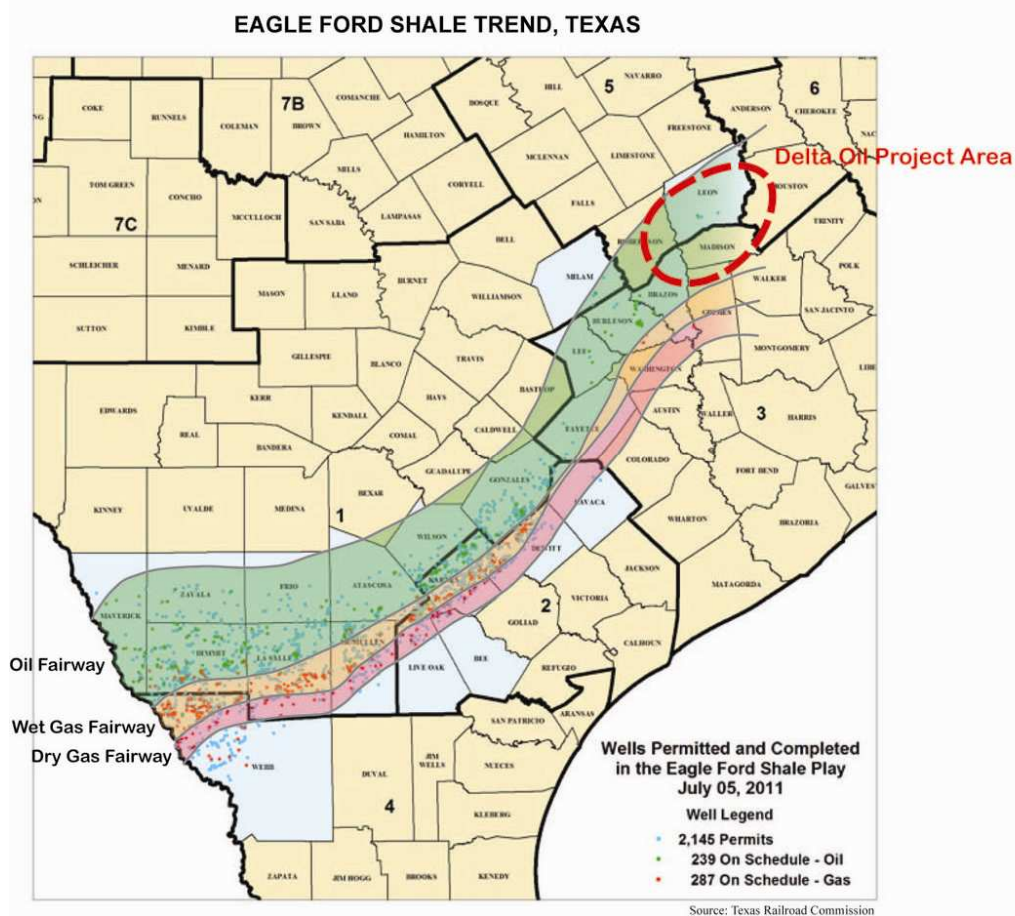
Assuming production of the 10 million barrels of Prospective Resources, Ralph E. Davis estimated the NPV of the Delta Oil Project of **US\$310 million**<sup>2</sup> which equates to:

- 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.

<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.

**Figure 1: Eagle Ford Shale Position and Location of Delta Oil Project plotted on Texas County map.**



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.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States nor shall there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the registration requirements or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

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.