



ABN 24 119 737 772

**ASX Release**  
30 May 2012

**Annual General Meeting Presentation**

The attached presentation provides an update of the Company's projects and will be presented to the Annual General Meeting today.

It was prepared by Mr Clifford S. Foss Jr who was appointed CEO of Texon in December last year and who brings extensive and successful Texas Gulf Coast experience to the Company.

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**ASX Code: TXN**



# *Annual General Meeting*

**30 May 2012**

# Important Statement

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# 2012

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- New CEO – Mr Clifford S. Foss Jr
- New Ideas and Business Model
- Valuable Eagle Ford holding
- New Oil Projects incl. Olmos
- New Plan

# Clifford S. Foss Jr

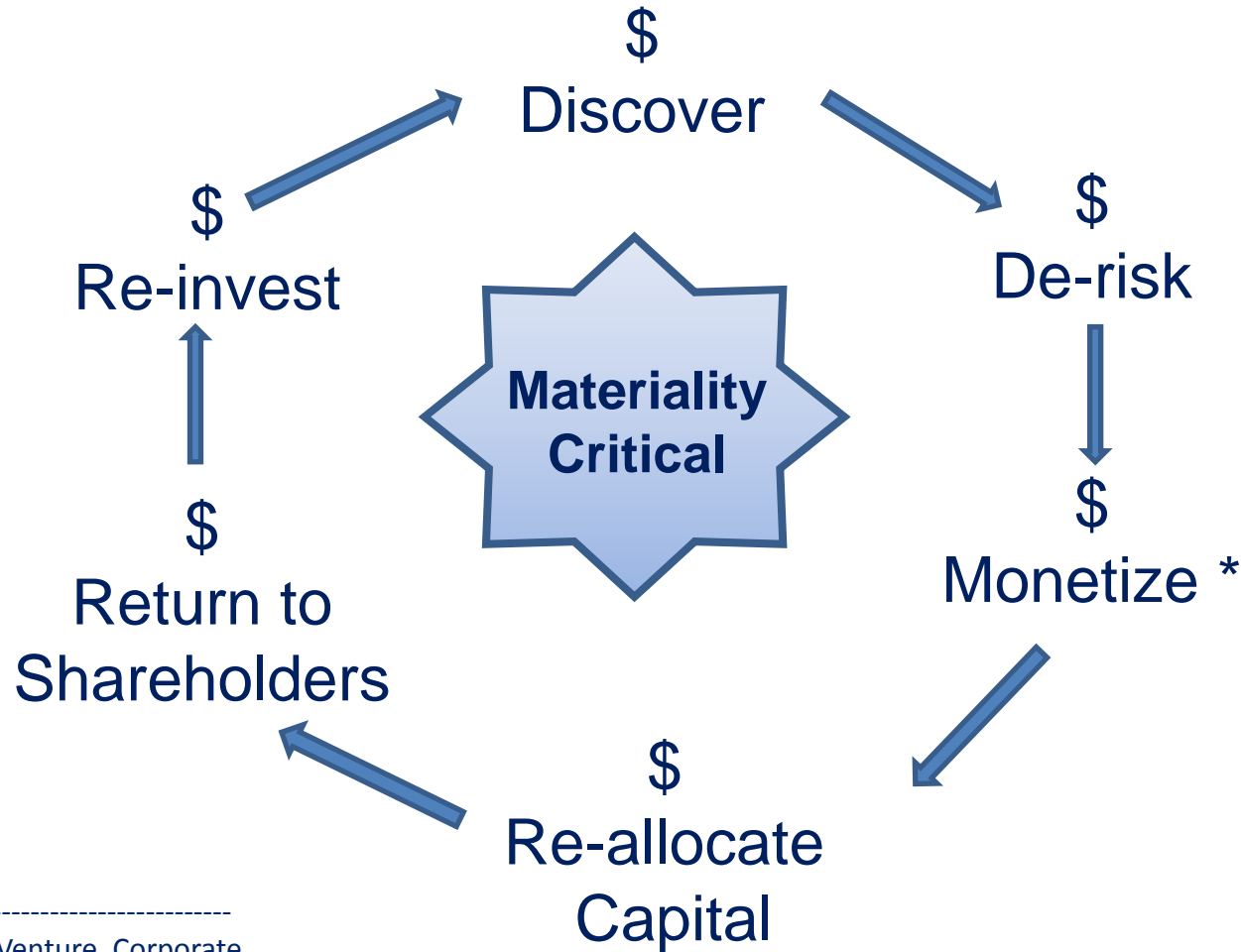
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- Appointed CEO and President of Texon Petroleum Ltd - December 2011.
- 2006 to 2008 Senior Vice President of Exploration for Petrohawk Energy, 2000-08 same position with KCS Resources.
- 40 years of successful exploratory, production and monetization experience in the Texas Gulf Coast area with a wide knowledge of the key players in the industry and the resulting understanding of the ingredients for commercial success.
- \* Mr Foss has been involved in the exploration, production and monetization of over \$3.5 billion of producing assets since his early days with the Cockrell Oil Corporation and later with KCS Resources and Petrohawk Energy.

# Value Chain

There's an old saying – “Follow the Money”!

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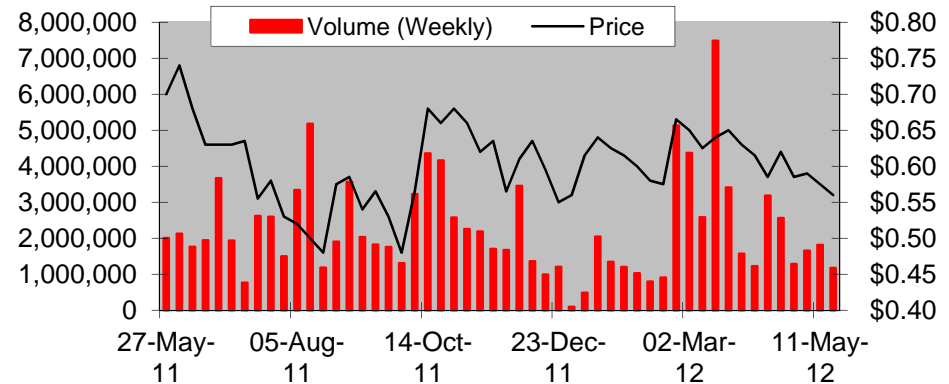


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\* Sale, Joint Venture, Corporate

# Texon

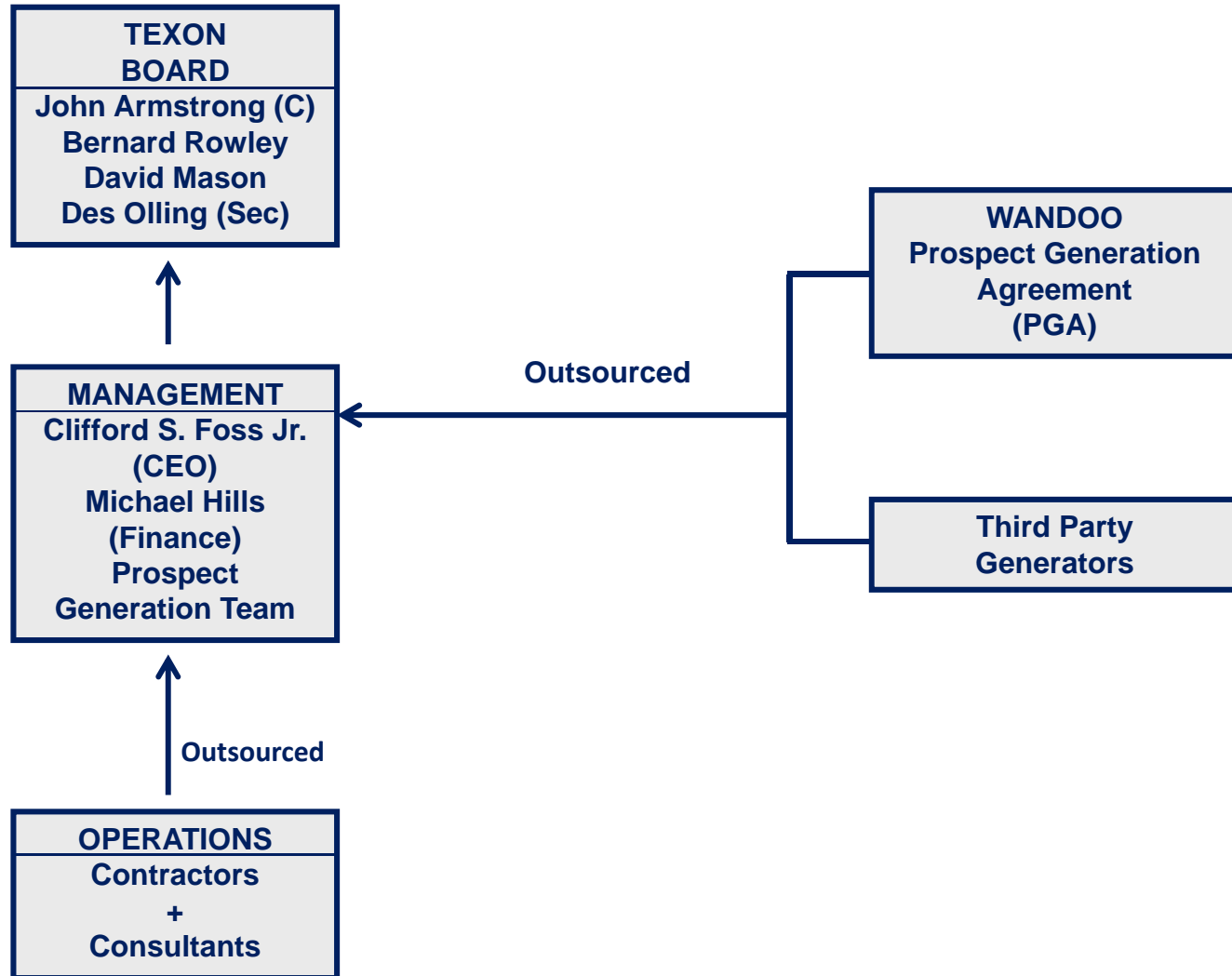
- ASX listed, Texas based oil and gas company with beneficial production of 415 boepd (April 2012).

Exchange	ASX
ASX Code	TXN
Share Price	\$0.58
Shares on Issue	245m
Market Capitalisation	\$142m



- President & CEO Mr. Clifford S. Foss Jr. - 40 years of success in the Texas Gulf Coast area.
- Board with international oil and gas experience.
- 2011 revenue of US\$21.6M, and 2011 net Texon production of 295,000 boe.
- Prime asset - 7,196 WI acres of Eagle Ford Shale (**59mmboe working interest estimated resource potential**).
- Other assets include Olmos oil project, emerging multi-well / resource oil projects, other gas / liquids projects and access to 180 3D seismic surveys.

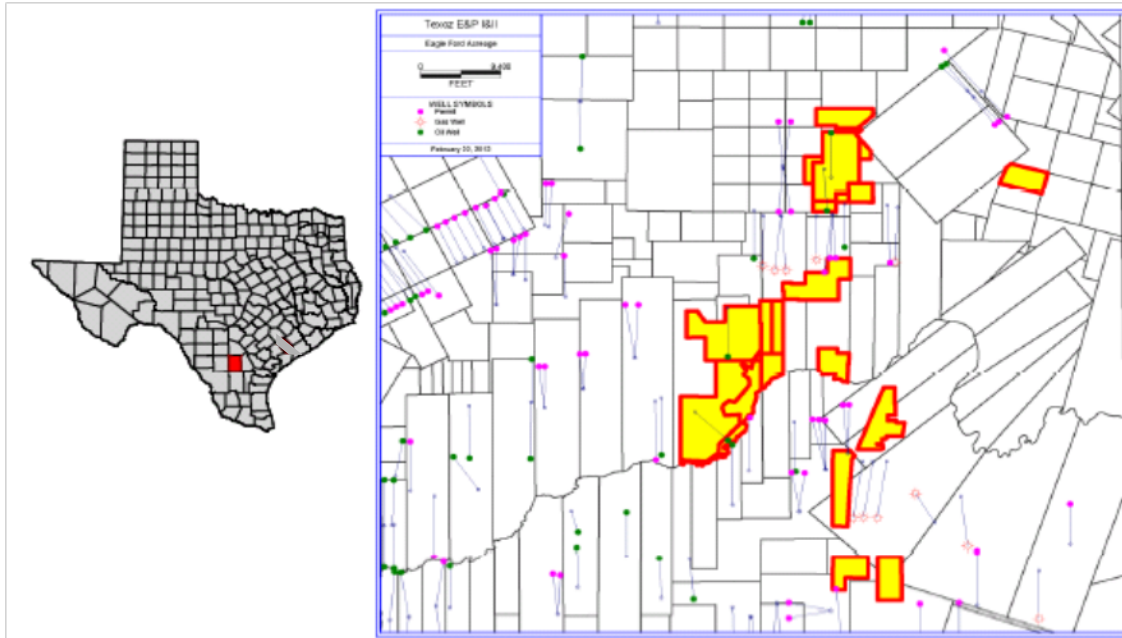
# Organisation





# Area of operations

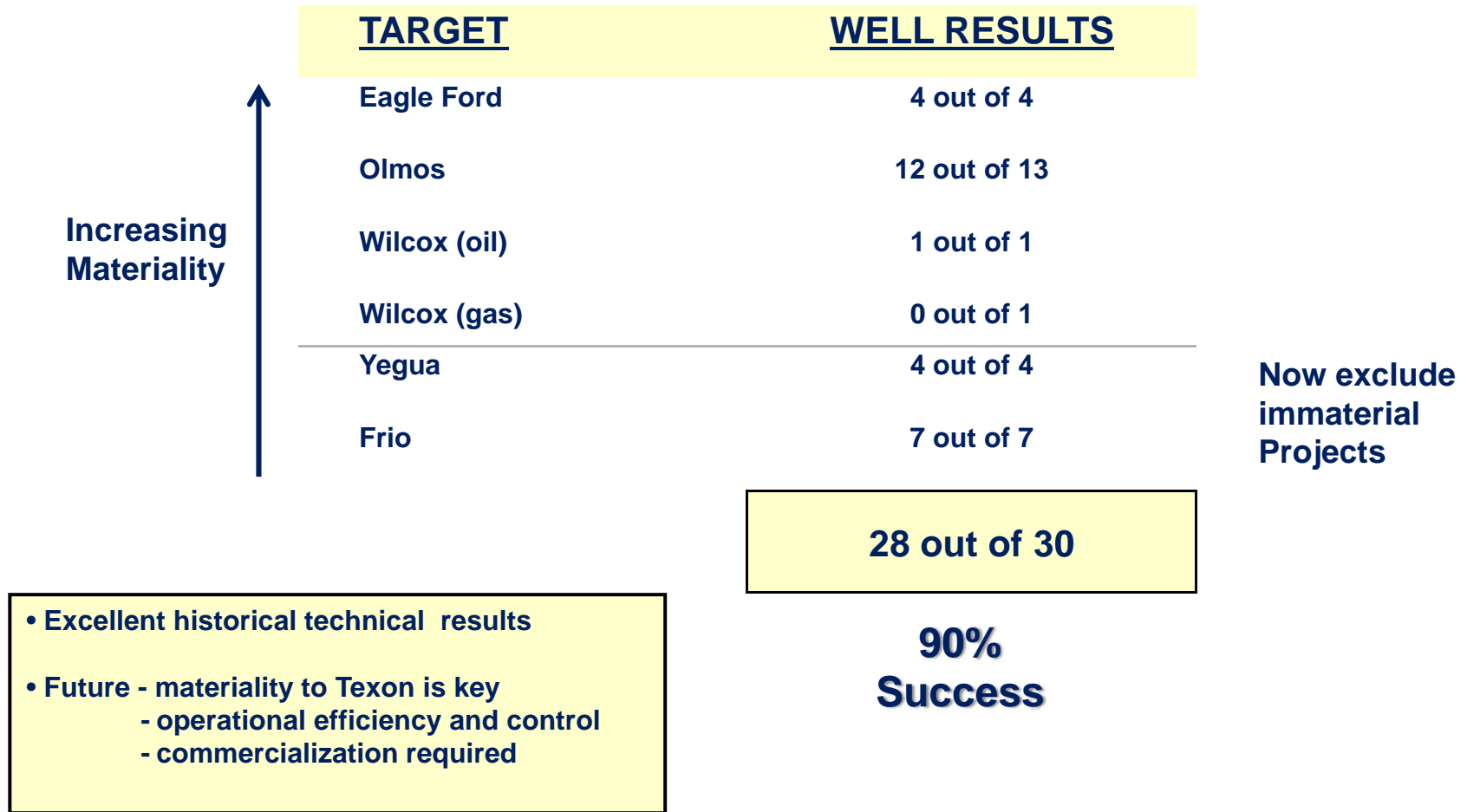
- SW Texas
- Principle asset, EFS in McMullen county ☆
- Infrastructure and skilled workforce
- Proven oil and gas region



## Reservoir Sequence

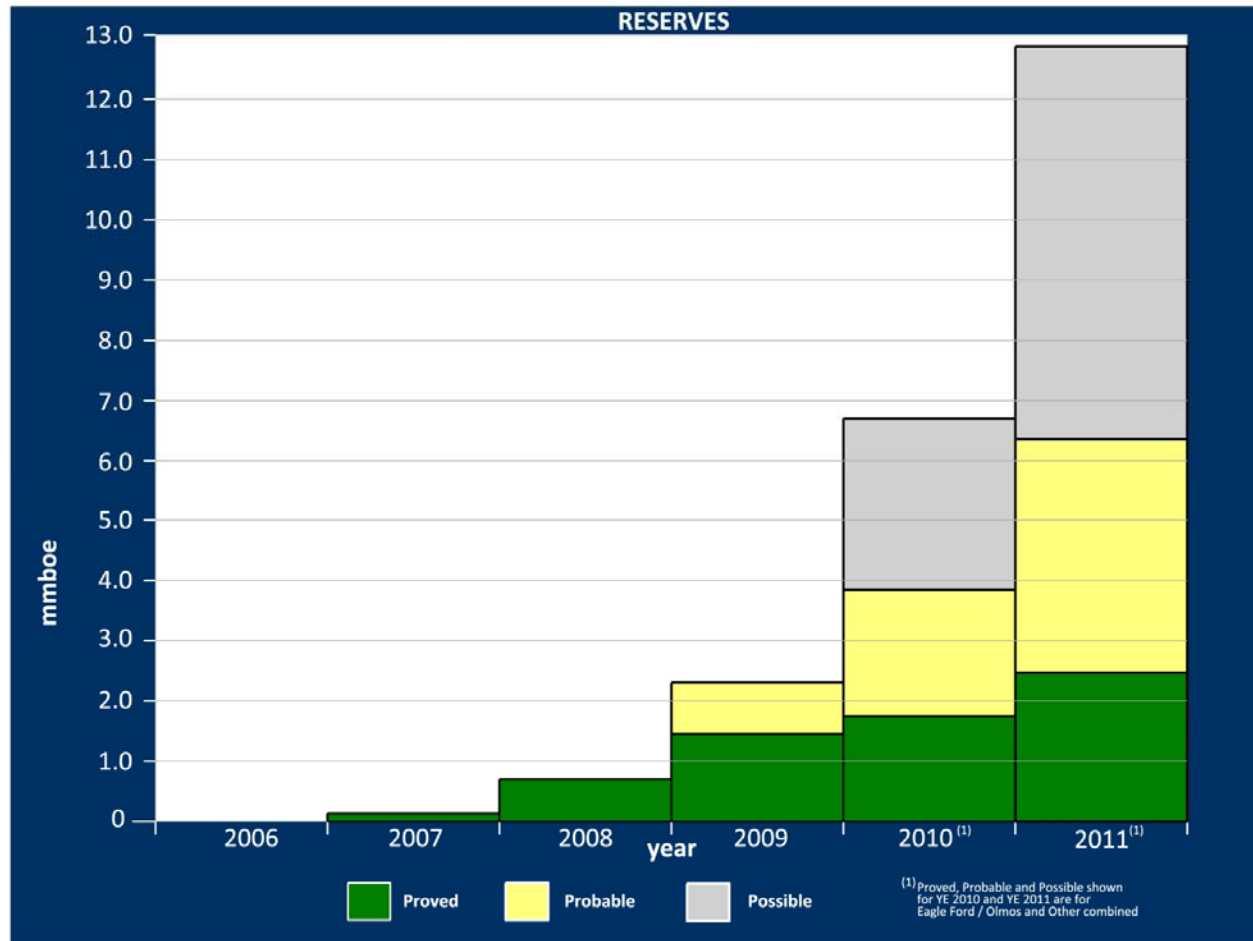
	<b>Frio</b>	~ 3,500' depth
	<b>Yegua</b>	~ 6,500' depth
	<b>Wilcox</b>	
	<b>Olmos</b>	~ 9,000' depth
	<b>Austin / Eagle Ford</b>	~ 11,000' depth ☆
	<b>Buda/ Edwards</b>	
	<b>Pearsall</b>	~ 13,300' depth

# Sound Track Record \*



\* Excludes Eagle Ford #5 and Mosman Rockingham Olmos Well (Wheeler #1)

# Reserves

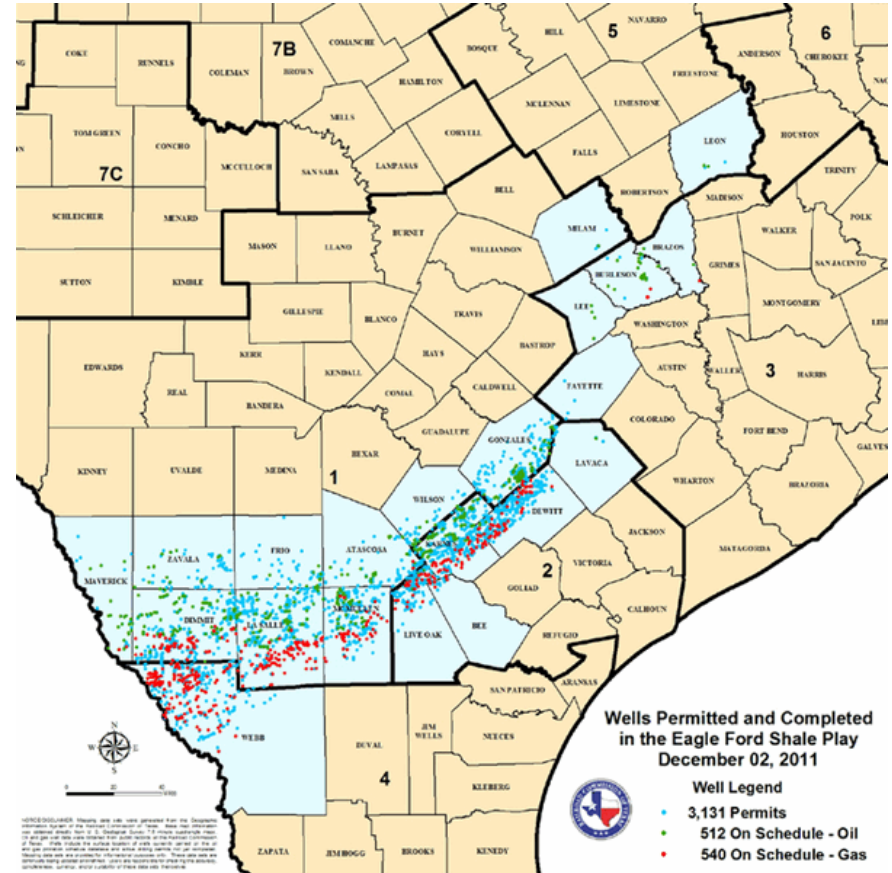


YE 3P Reserves Increased from 6.7 mmboe at YE 2010 to 12.88 mmboe at YE 2011 which included -1.6 mmboe which was sold in Feb 2012

*Netherland, Sewell & Associates, Inc and Delilah B Hainey are qualified in accordance with ASX Listing Rule 5.11. Netherland, Sewell & Associates, Inc has consented to the form and context of the Eagle Ford reserves shown in this report.*

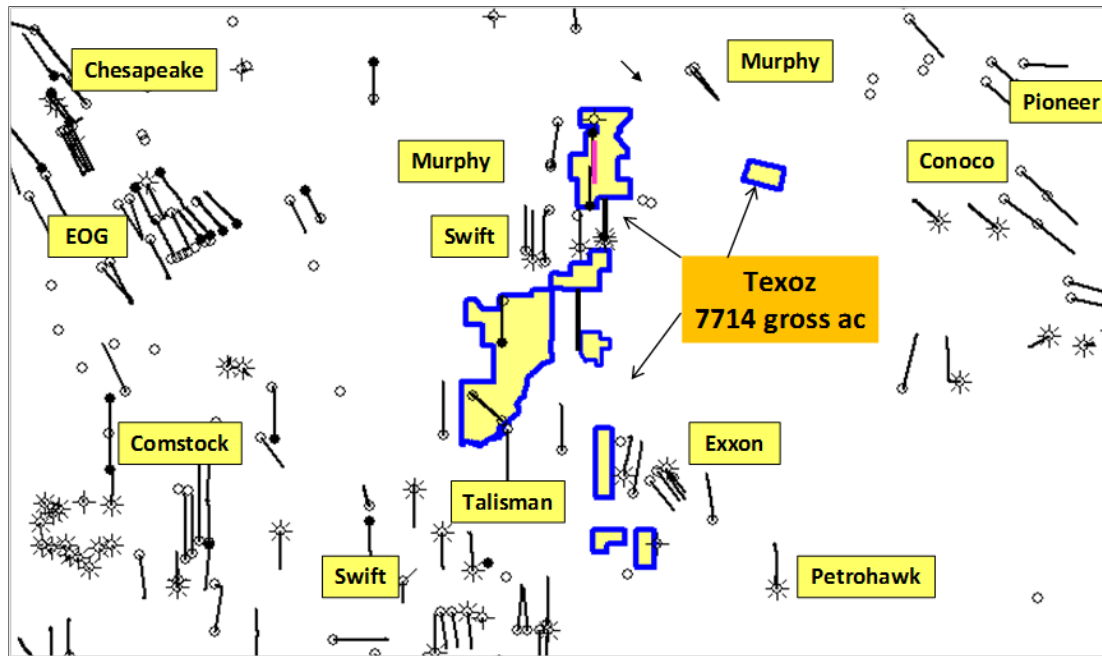
# Eagle Ford Shale – A premier hydrocarbon resource

- The Eagle Ford Shale is the premier shale play in North America.
- Value of Eagle Ford acreage – some US\$30 billion in deals since 2009.
- Value appreciated by major industry players including BHP Billiton, Marubeni, Marathon, Reliance Industries, CNOOC, Talisman, Statoil, Royal Dutch Shell and more.
- \* Over 250 drill rigs (one in eight) operating on the Eagle Ford Shale drilling mostly for oil.
- \* “Eagle Ford offers the highest economic returns of all US shales” – BHP Billiton, ASX Release, 14 November 2011.
- \* Liquids are key to commercial success.



# EFS – Large acreage and high working interest

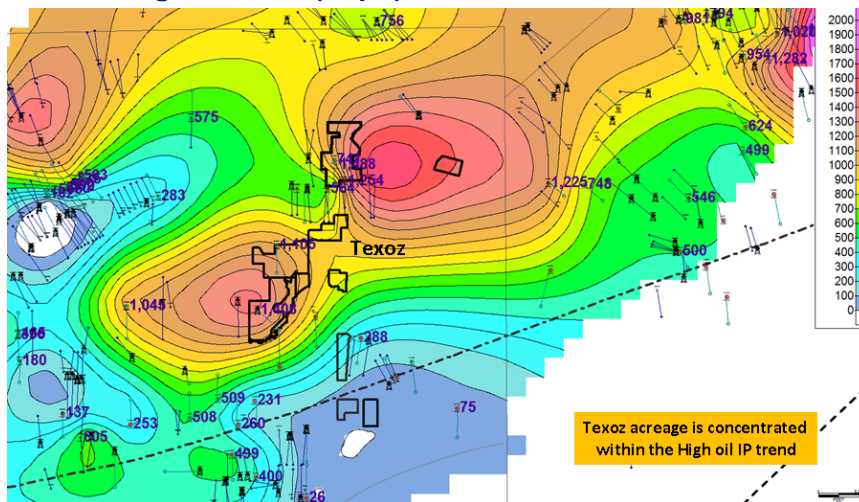
- \* Texon has gross Eagle Ford holding of 7,712 acres with large working interests (WI) across its leases ranging from 82% to 100% (average WI of 93.3%) i.e. 7,196 Texon working interest acres.
- \* Texon's working interest estimated resource potential is approximately 59mmboe.
- Surrounded by large oil and gas industry companies.
- \* 3D seismic is available on all EFS leases – minimizes drilling / commercial failures.
- Closer well spacing has the potential to significantly increase the resource potential.



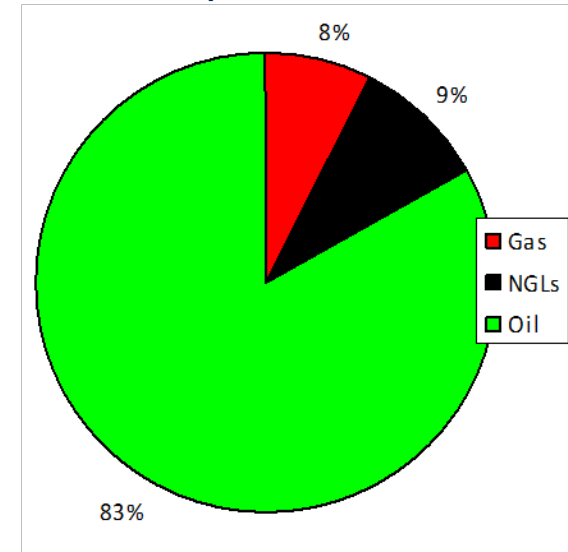
# EFS – Liquids rich oily window

- Texon acreage - Eagle Ford Shale sweet spot for oil production.
- Liquids rich production.
- \* Over 90% of revenue is linked to oil price.
- \* Texon EFS oil receives a premium to the NYMEX oil price (WTI + \$5.40).

Eagle Ford IP (bopd) – McMullen Co



Texon Nov 11 product revenue breakdown



# EFS – Production & large resource potential

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- Four Eagle Ford wells - average initial production rate of over 1,400 boepd.
- Technical improvements - fracture stimulation and well completion techniques progressively refined from experience gained in the first two wells.
- Two most recent wells – are guide to Eagle Ford productivity in Texon leases. Estimated ultimate recoveries per well from our two most recent wells are 550-600 mboe/well on 80 acre spacing.
- Estimated resource potential of 59 mmboe to Texon's WI, using 114 EFS locations (24 Joint Ventures) (80 acre spacing/well).
- Very valuable asset.

# 5<sup>th</sup> Eagle Ford Well

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- Began drilling – May 2012
- Very good oil and gas mud log shows in Eagle Ford
- Total Depth of 14,795' was reached 24 May 2012
- Estimate first production – late July 2012
- Reserves should increase



# Eagle Ford Monetization

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- Monetize all or part of Texon's Eagle Ford Project
- Appointed RBS Morgans and Albrecht & Associates, Inc.
- Ongoing discussions with a number of parties

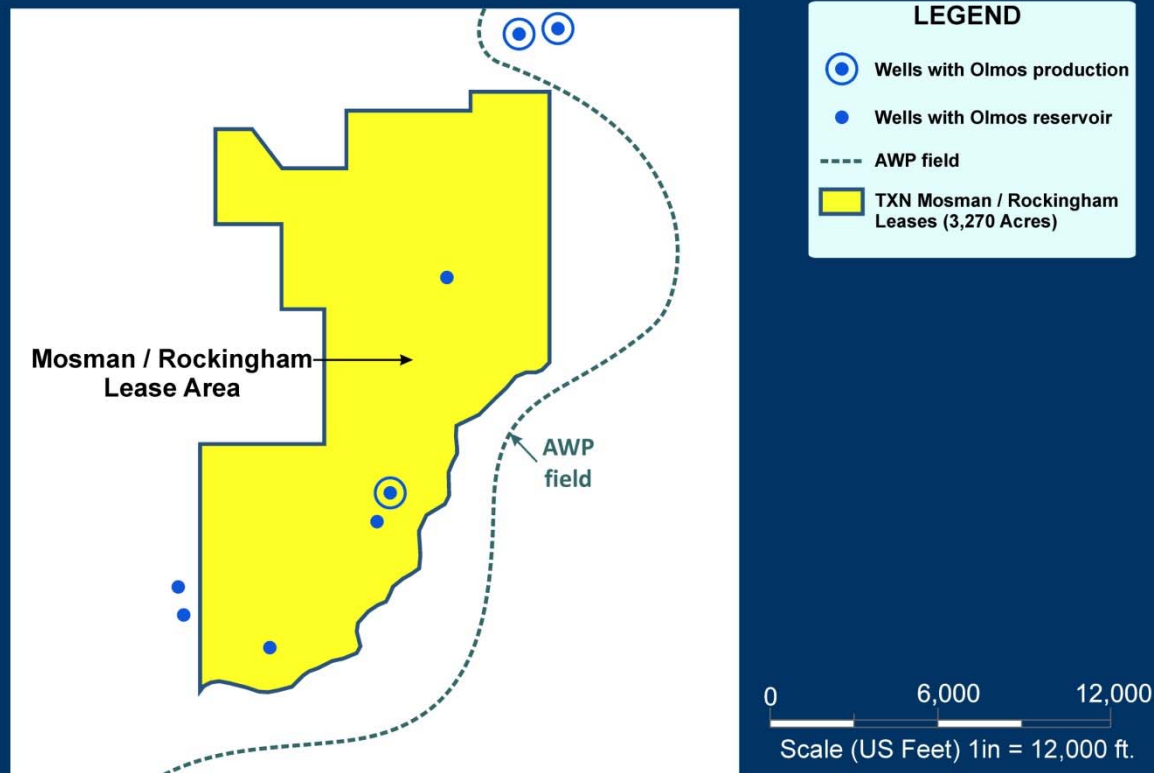
# Future Oil Projects

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- Mosman / Rockingham Olmos
- Several being investigated
- Resource / Multi-well preferred
- Must be of potentially material value to Texon
- Reserves should increase from success

# Mosman / Rockingham Olmos

## Texon's Mosman / Rockingham Olmos Leases



- Oil
- Texon WI – 95-100%
- 30 '40 acre' well locations
- 3.0 mmboe low risk est. potential to Texon WI
- Similar in size to Leighton Olmos
- First well – May 2012
- Two additional wells to fully value
- Monetize

# Olmos Well Status (Wheeler #1)

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- Total Depth: 9,200 Feet
- Productive Interval: 23' Net Pay
- Frac planned: 6 June 2012
- First Production: July 2012
- Reserves: Should increase

# Other Oil Projects

- Sample of kinds of projects
- Yet to be prioritized and leased
- Risk and cost sharing JV to be sought

Prospect Name	Target	Single Well Economics NPV <sub>10</sub> - \$MM	Prospect Potential - Most likely (mmboe)
<b>TORQUAY</b>	Lower Woodbine	8.0	24
<b>CATFISH CREEK</b>	Rodessa	4.0	21
<b>EAST BANKS</b>	Rodessa	4.0	8.8
<b>REDFISH</b>	Rodessa	4.0	7.8
<b>BELLAMBI</b>	San Miguel	5.0	14.2
<b>CURRUMBIN</b>	Upper Woodbine	5.0	7.4
<b>KIAMA</b>	Upper Woodbine	5.0	2.9
<b>BENOWA</b>	Upper Woodbine	5.0	3.9
<b>MUDGEERABA</b>	Upper Woodbine	5.0	4.5
<b>SORRENTO</b>	Olmos	11.0	6.0
<b>PORT BEACH</b>	Olmos	1.0	1.4
<b>DICKS</b>	Vicksburg	20.0	45-65

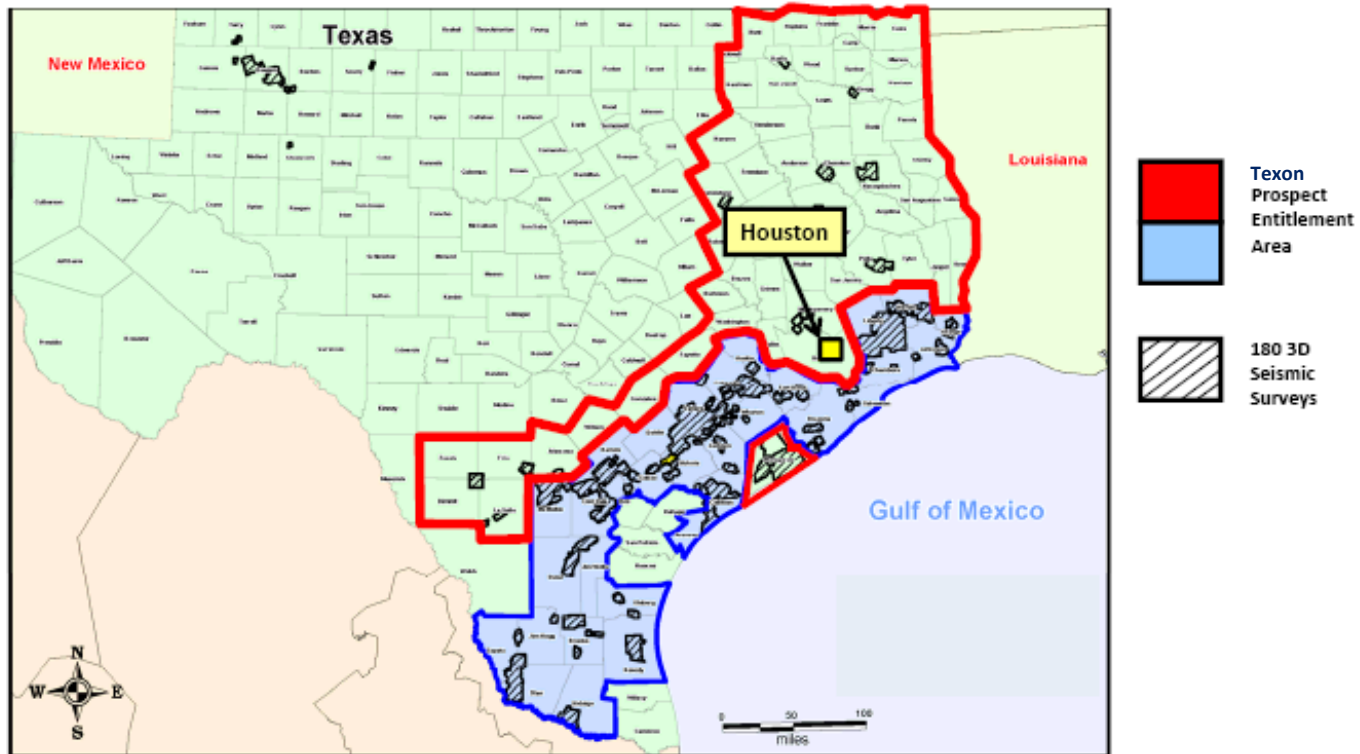
# Project Sources

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Oil and gas plays for Texon are emerging from its prospecting network:

- Internally generated targets
- Third party prospect generators
- Wandoo PGA and unique access to a database of 180 3D seismic surveys.

# Data Base



Through the Wandoo Prospect Generation Agreement Texon has the first option on prospects generated from:

- 180 3D Seismic Surveys totalling 24,600km<sup>2</sup>
- 30,000 km 2D Seismic; and
- 212,000 km<sup>2</sup> Texon Prospect entitlement area

# Where are we Now? Mid 2012

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- Leighton Olmos Sale - bolstered Cash
- 5<sup>th</sup> Eagle Ford well - In progress
- 1<sup>st</sup> Mosman Rockingham Olmos Well - In progress
- Mid Year Cash - US\$16 mm <sup>(1)</sup>
- EFS Transaction - mid 2012

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<sup>(1)</sup> Forecast end Q2/2012 after frac, complete, connect 5<sup>th</sup> EFS and MR Olmos Wells



# Forward Plan

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1. Emphasis is on oily Multi-well / Resource Projects
2. Mosman / Rockingham Olmos Oil Project – Drill / Prove / Monetize
3. We will leverage our generation capabilities and our capital exposure through Joint Ventures where we are carried for the exploratory part of projects that we develop
4. Warehouse uneconomic gas projects
5. Get better value from 3D / 2D Seismic database
6. Periodically monetize Project success
7. Target 2-3 year cycle of value accretion and returns that are Eagle Ford in scale