

ASX Announcement  
Date: 28 November 2011



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## Eagle Ford Report

- Improved well performance through increased understanding of the Eagle Ford Shale
  - EFS #1 - 1,332 boepd (84% oil)
  - EFS #3 - 28% more oil than #1
  - EFS #4 - 20% more oil than #1
- High level of quality oil production
  - 90% oil and gas liquids
  - High quality oil which obtains a 5% premium to WTI
- Texon has 6,734 WI acres of Eagle Ford Shale
  - Av WI 93%
  - Acreage largely derisked through in-field and nearby drilling
  - Option on further 480 acres

Since the Chairman's Letter of 18<sup>th</sup> August, the Company has drilled, tested and is producing oil and gas from two (2) new Eagle Ford wells, both of which in early production are better than the Company's first two Eagle Ford wells. The performance of these wells indicates an improved understanding of the acreage and its geological and engineering characteristics. The Company has acquired an additional 830 acres (100% Working Interest) taking its total Eagle Ford holding to 6,734 WI acres.

This release is to bring shareholders and potential investors up to date with the results of the Company's Eagle Ford work and to provide an overview of Texon's Eagle Ford holding.

### Leases

Texon has 82 to 100% WI (average 93%) in a gross 7,232 Eagle Ford acres - 6,734 Eagle Ford Texon WI acres. Texon has an option on a further 480 acres exercisable by the end of 2011. This would make a total of 7,214 WI acres.

### Map

The locations of Texon's Eagle Ford leases and wells together with nearby Eagle Ford wells are shown on the map (*see page 4*).

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## Four Wells Drilled

The Company has now drilled four (4) Eagle Ford wells with the #3 and #4 wells being the most productive in early production. This is as a result of improved frac stage planning and the engineering of these wells.

## Initial Production

The initial production results of the Company's four Eagle Ford wells are set out in the following table:

Well Number	Initial Test Result			First 30 Days Production boe	% Oil and Gas Liquids	Texon WI %	Texon NRI %
	bopd	mcfcpd	boepd (6)				
1	1,202	782	1,332	21,489*	87	82	61.6
2	1,105	736	1,228	16,531	89	100	75
3	1,488	700	1,605	24,510	92	82	61.6
4	1,408	922	1,562	23,780	91	95	71.25

\* Corrected to 6 mcf to 1 boe from previously quoted 12:1 to bring #1 result into line with the other wells.

Texon's Eagle Ford is oily with 87% of the production from the four wells combined being oil. Gas liquids make up 3% of production with 10% being gas.

During the first 60 days, well #3 produced 28% more oil than the Company's first Eagle Ford well. The #4 well produced 20% more oil than #1 over the first 30 days.

These wells, together with a number of Eagle Ford wells in nearby acreage, have largely derisked all of Texon's Eagle Ford acreage.

## Frac Stages / Proppants

The above results clearly indicate that the frac stage placement plan and proppant type and sequence used in the #3 and #4 wells have yielded a superior outcome compared with the first two wells. More effective stages in new wells would be expected to yield results similar to #3 and #4 wells.

## Nearby Eagle Ford Wells

To our knowledge all Eagle Ford wells drilled in McMullen County have recovered oil and gas – indicating the high probability that suitably engineered Eagle Ford wells on Texon's gross 7,232 acres would likely yield results similar to our EFS #3 and #4 wells – or indeed, maybe better as improvements are made progressively from increasing learning as to how to complete and produce the Eagle Ford in this area.

## Well performance and Stages

Well	Stages	Remarks
EFS #1	15	Initial Production 1,332 boepd (84% oil)
EFS #2	15 (but probably only 12 fully effective)	Better engineered wells in this area are expected to have results like Texon's other wells.
EFS #3	18	The volume of oil produced in the first 60 days is 28% higher than the #1 well.
EFS #4	17 (slightly less frac fluid pumped than in #3)	The volume of oil produced in the first 30 days is 20% higher than the #1 well.

## Potential (80 ac well spacing)

It is possible that ninety (90) 80 acre Eagle Ford wells will be able to be drilled on Texon's Eagle Ford leases.

The likelihood of Eagle Ford wells being successful in the balance of the Company's Eagle Ford holding is evidenced by their proximity to Texon's wells and to the numerous nearby successful and producing Eagle Ford wells drilled by other operators on leases surrounding Texon's leases.

## Reduced Well spacing

In due course, closer well spacing than 80 acres/well may be required to produce the oil and gas in the Eagle Ford reservoir. If more closely spaced wells can be justified, there would be a significant increase in the oil and gas recovered from the Company's Eagle Ford leases. However, this possibility will depend on the production performance of the 80 acre spaced wells and the economics of in-fill drilling.

## Lease Commitments

The terms of Texon's Eagle Ford leases require the Company to begin its next Eagle Ford lease commitment well in November, 2012.

## Oil Price

From the 1st of December this year, Texon will receive about US\$5/bbl above Nymex WTI for its Eagle Ford oil.

## Upside

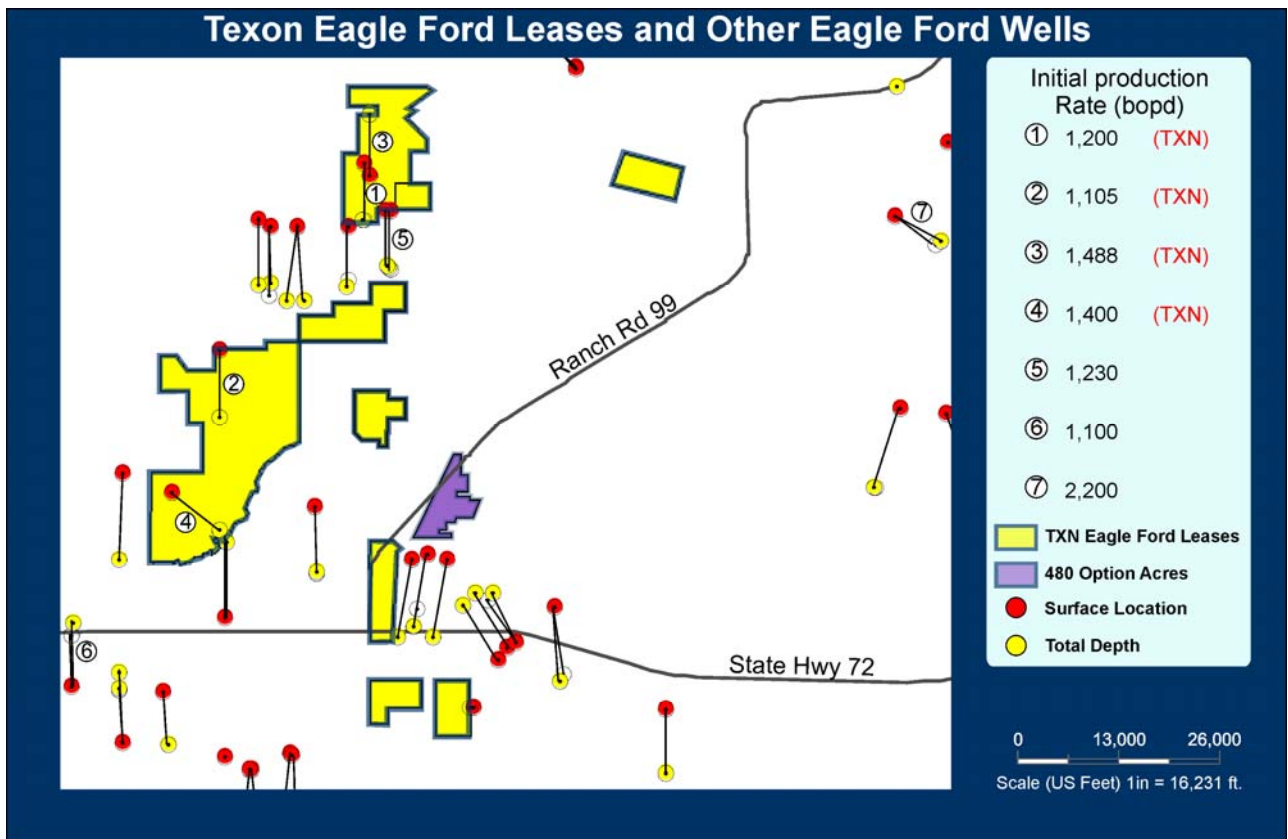
There is upside in better well performance, higher oil prices, and closer than 80 acre well spacing.

**Plan**

The Company has reached the point referenced in the second last paragraph of the Chairman's August letter. There is significant value in Texon's Eagle Ford holdings.

The Board plans to consider how to proceed in regard to the Company's Eagle Ford position, with the objective of finding a balance between risk and reward for the owners of the Company.

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**Glossary:**

- bbbl: barrel
- boe: barrels of oil equivalent
- boepd: barrels of oil equivalent per day (including gas converted to oil equiv barrels on basis of 6mcf to 1 barrel of oil equiv)
- bopd: barrels of oil per day
- mcf: thousand cubic feet
- mcfcpd: thousand cubic feet of gas per day
- NRI: Net Revenue Interest
- WI: Working Interest
- WTI: West Texas Intermediate