



ASX ANNOUNCEMENT

7<sup>th</sup> November 2011

## Drilling start this week on Eagle Ford (USA) shale project

- Rig on site and construction nearing completion
- First well will be Krueger #1

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**The Board of Austin Exploration Limited (ASX: "AKK")** - on behalf its wholly owned US subsidiary Aus-Tex Exploration Inc- is pleased to advise that drilling will commence this week of the much-anticipated first well on the Company's ~5,000 acre (93.5% working interest) Eagle Ford Shale Project, Burelson County, Texas, USA.

The first well to be spudded - Krueger #1 - will be drilled by Coastal Rig #7, a 1200hp land rig that primarily drills Eagle Ford and Austin Chalk wells in Texas.

The rig arrived on site in Texas on Friday the 4<sup>th</sup> November and the contractor is nearing completion of necessary construction to enable drilling to commence this week.

Austin's Chief Executive Office, Guy Goudy, said the positive drill-start news followed a frustrating few weeks for the Company and its shareholders as Austin waited in the queue for rig availability in the heightened activity of Eagle Ford shale drilling currently taking place on the Gulf Coast of Texas.

"It is most pleasing that this hive of Eagle Ford drilling activity has reached our project and it is all systems go for Krueger #1 to be spudded this week," Mr Goudy said.

"We will advise the market as soon as the well is spudded and will provide regular updates on the progress of Krueger #1. This is an eagerly-awaited period for our Company and shareholders and drilling of the first well sets the stage for a campaign which targets an oil discovery of commercial significance."

Krueger #1 will be completed and fraced as a vertical well. Initially, three vertical wells will be drilled at which time the formation characteristics will be thoroughly analysed by the Aus-Tex geological and engineering teams. The well demonstrating the strongest hydrocarbon potential will be the first well to be re-entered for a multi-stage horizontal "highway" frac.

Drilling of Krueger #1 to total depth is expected to take approximately 10-15 days, with an additional 20 days to complete the well into production. The primary targets of the drilling campaign are the Eagle Ford formation, a hydrocarbon bearing sequence expected to be intersected at ~8,700 feet, and the Austin Chalk, which is expected to be intersected at ~8,300 feet.

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Other potential hydrocarbon bearing formations that are expected to be intersected include the Taylor Sand formation (~6,500 feet), the Buda lime formation (~9,000 feet) and the Georgetown Lime formation (~9,100 feet).

The Eagle Ford Shale, with an interpreted thickness of 300 feet, is the source rock for the Austin Chalk, and is a hydrocarbon producing formation of significant importance due to its ability to produce both gas and higher levels of oil than other traditional shale plays. It contains a much higher carbonate shale percentage which can total upwards of 70% in south Texas. In addition, the brittle nature of the hydrocarbon bearing sequence makes the Eagle Ford shale more amenable to fracking, improving the potential flow rates from wells drilled into this formation.

“The results of 12 nearby wells, all with production, were analysed as part of acquisition due diligence undertaken by Austin, and has provided our team with confidence that initial production rates of in excess of 800 bopd from horizontal wells drilled into the Eagle Ford formation can be achieved,” Mr Goudy said.

“An independent expert has concluded that each well could carry an NPV of up to ~US\$7 million with the potential for in excess of 30 wells across Austin’s Eagle Ford acreage,” he said.

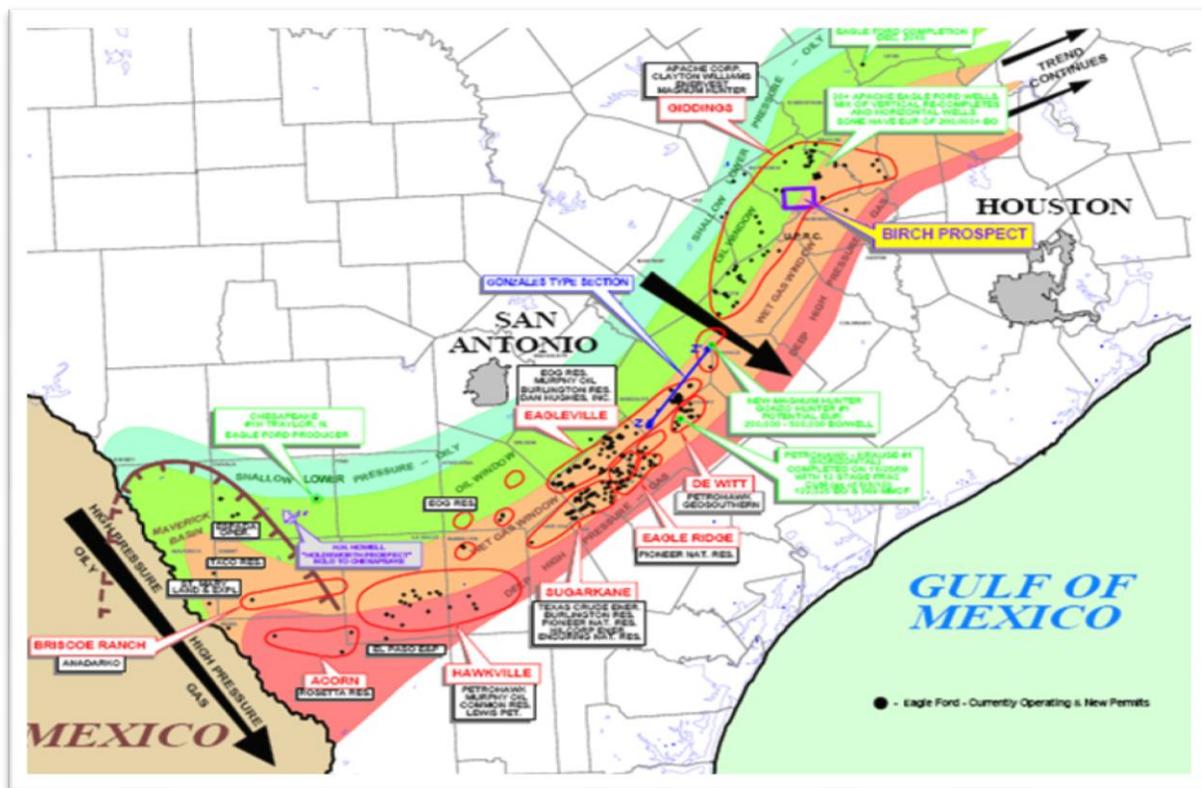


Figure 1: Project location, demonstrating location in oil/wet gas window of the play

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***Figure2. Hive of activity as rig construction underway for first Austin well***

## **About Austin’s Eagle Ford Shale Project**

The Eagle Ford Shale trends across Texas from the Mexican border to East Texas, roughly 50 miles wide and 400 miles long with an average thickness of 250 feet. It rests between the Austin Chalk and the Buda Lime at a depth of approximately 8,000 to 10,000 feet in the project area. It is the source rock for the Austin Chalk and the giant East Texas Giddings Field – 6 counties: Bastrop, Burleson, Fayette, Lee, Brazos, and Washington.

Austin’s Eagle Ford Shale project is located in the oil/wet gas window of the play, which has proven to be the most productive area of the play, with an interpreted thickness of ~300 feet. Austin acquired its Eagle Ford Shale interests for an average of only ~\$400 per acre, well below industry peers, following a

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detailed due diligence including an independent technical report and analysis of 12 nearby wells, all with production. The independent technical report prepared for Austin as part of its due diligence suggested potential initial production rates of >800 bopd and NPV per well of up to \$7 million, with potential for 31 wells.

## **MEDIA INVESTOR CONTACT**

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## **ABOUT AUSTIN EXPLORATION:**

*Austin Exploration is an Oil and Gas Company with assets in Australia and the United States. Austin has strategically shifted its core focus towards non –conventional shale exploration in the United States. The Company has now established a major presence in two of Americas most prolific oil and gas basins. Austin controls more than 11,000 acres in Colorado in the Niobrara Shale and over 5000 acres in Texas in the Eagle Ford Shale. Austin has producing oil and gas wells in Texas, Mississippi and Kentucky. Austin also has a highly prospective Oil and Gas Licence, PEL 105, in the Cooper Basin of South Australia. The company’s wholly owned US Subsidiary, Aus-Tex Exploration Inc, turned cash flow positive in January 2011. To face future opportunities, Austin has strengthened its board and management teams. Austin is listed on the Australian Securities Exchange (ASX code: AKK)*