

# Austin Exploration Limited ACN 114 198 471

Based in Adelaide Australia: listed on the Australian Securities Exchange ("AKK")

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**ASX ANNOUNCEMENT**

**29<sup>th</sup> October 2009**

**For Immediate Release**

The Manager  
Companies Announcements Officer  
Australian Stock Exchange  
Electronic Lodgement

## **Park City, Kentucky, USA: Project Update**

- 1. Phase One of USA Oil and Natural Gas Drilling Program Assessment completed**
  - 2. Industry-first completion techniques show positive and replicable results**
  - 3. Significant improvement in near term economic outlook**
  - 4. ATMOS Gas Gathering System and Processing Plant scheduled to recommence operations and begin receiving natural gas next month**
  - 5. Phase Two Expansion Program now underway, targeting additional drilling, mineral lease acreage expansion, and secondary focus on natural gas**
  - 6. Steady oil sales and imminent natural gas sales promise positive cash flow by end of January 2010.**
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The Board of Austin Exploration Limited (ASX: "AKK") is pleased to announce several major updates and developments for its low cost, long life, shallow well oil and natural gas exploration and production project at Park City, Kentucky, in the United States.

### **Phase One Oil and Natural Gas Drilling Program Assessment completed**

All four of the oil wells completed at Park City during July and August are currently producing to targeted commercial rates that are typical for this area. Although initial oil production from these four wells was favourable, the Company believed that additional oil and natural gas production might be achieved by refining the methods used to drill and complete these low cost, long life wells.

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Austin has developed a robust and replicable business model for its Park City Project that includes:

- Expansion and acquisition opportunities for additional acreage supported by geologic mapping and data
- Drilling and completion techniques designed specifically for geologic structures common to the state of Kentucky.

To achieve these goals, over the past eight weeks, geologists and engineers from Aus-Tex Exploration and KOS Drilling have been conducting a series of tests with the first four oil wells while awaiting progress from the Atmos Gathering Company to bring the nearby natural gas processing plant back online. This will provide Austin with immediate natural gas sales opportunities.

Austin is also pleased to report that electricity has now been installed on the field and oil is being pumped to storage on a fully automated and timed system.

## **Industry-first completion techniques show positive and replicable results**

In early September, Austin began testing and evaluating a series of groundbreaking combinations of SRS Lateral Drilling followed by high pressure acid stimulation. On 22 October, the Company successfully completed the last major test and stimulation procedures on the Harlin Tarter 2 well. By utilising the patented SRS nozzles of KOS Drilling and a high pressure acidizing fracture procedure to stimulate the radial bores, this well is now producing increased rates of both crude oil and natural gas. While the Company anticipates a decline in the flow rates, stabilised daily production should remain higher than previous flow rates. The remaining wells will now undergo these same completion techniques.

In the near term, Austin anticipates the completion of a series of operational agreements that will provide drilling and completion expenses (avg. well is 1,500 ft) ranging from \$25,000 to \$35,000 depending upon the formations targeted. The Company aims to deliver two wells per month into production beginning in the month of December.

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## Significant improvement in near term economic outlook

Throughout this assessment period, oil from all four wells has continued to be sold on a monthly basis while natural gas has been shut-in awaiting the processing plant to become operational. Austin has conducted a comprehensive geologic review and assessment of all the wells at Park City, taking into account such factors as: Initial 24 hr on pump flow tests (IP), actual oil recovery to sales, and study of typical production decline rates for the Bowling Green Area. Combined with the new completion techniques used on the first four Coniferous formation test wells, Austin can now comfortably forecast stabilised per well rates of daily oil production in the 5-10 barrel range, with natural gas production ranging from 10 to 65 mcf per day. These wells are initially coming on a 15-25 BOPD during the immediate period following completion procedures, and then declining to daily stabilised rates forecast to last up to 20 years.

As an example, a single well that is operational for 340 days per year that is producing 7.5 bopd on a US\$75 per barrel spot price will return US\$ 191,250 per annum. These wells will be cash flow positive for the company after 2-3 months of sales.

In an effort to dramatically increase natural gas sales the company in coming months will begin testing new SRS completion procedures on the New Albany Shale formations found in almost all the wells that have been drilled in this area. Coupled with the recent noteworthy improvements in worldwide oil and gas commodities pricing, the near term income outlook for the Park City Project and surrounding interests have significantly improved for AKK.



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## **ATMOS Gas Gathering System and Processing Plant scheduled to recommence operations**

The ATMOS Gathering Company has recently notified Austin that the nearby natural gas processing plant is currently being brought back online and that it should be ready to receive, process and sell natural gas from Aus-Tex Exploration by mid November. Aus-Tex will then begin introducing its currently producing gas wells into the system, while simultaneously stimulating other wells that are currently part of its mineral lease acreage.

## **Phase Two Expansion Program now underway**

Based on the positive conclusions of Austin's Phase 1 assessment exercise, and the recent news from Atmos Gathering that the local gas plant will begin receiving natural gas shortly, the Company is now moving forward to aggressively expand the lost cost, long life, shallow well oil and gas production development opportunities at Park City and the surrounding area. Austin is pleased to announce that it has initiated efforts to expand its lease acreage holdings for this prospect area, and that both oil and gas are now major components of its Park City strategy.

Austin's Phase 1 assessment included a thorough evaluation of the underlying geology of the surrounding area and additional acreage expansion opportunities, including a review of current oil and gas delivery infrastructure, access to local technical resources, and other infrastructure required to reliably repeat the success of the Company's first four oil wells. The Company now believes that successful mapping of the predominantly oil producing Corniferous formation can be accomplished.

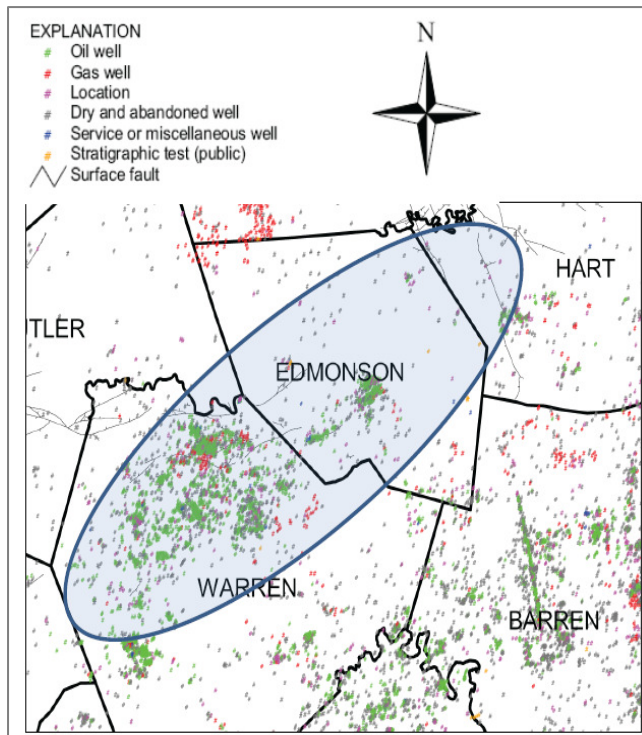
The acquisition of additional mineral lease acreage to support future growth has already begun with more than 3,000 acres of geologically supported land being targeted for acquisition. With access to the gas plant now confirmed, Austin will begin completing wells with the potential to produce both oil and natural gas. Additional Corniferous formation focused oil well completions are scheduled to begin in November, with New Albany Shale gas well completions scheduled to commence during the month of December.

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## Steady oil sales and imminent natural gas sales promise positive cash flow by end of January

Oil production to sales remains steady and is on target to put the Company in a cash flow positive position before the end of January 2010. Natural gas sales are expected to begin shortly.



### GENERAL OBSERVATIONS OF THE AREA

The highlighted area of the map represents the current focus for Austin. This area contains hundreds of wells that were drilled many years ago and represent SRS completion opportunities for the Company.

Oil and gas production has been consistently documented from shallow wells in the Corniferous, Fort Payne and New Albany Shale formations in Kentucky since the early 1900s. The state's oil producing formations are well

documented by the Kentucky Geological Survey and are known for production lifetimes that can last more than 20 years with little or no remediation.

### Interest Holdings

NAME	WI	NRI
Aus-Tex (Operator)	100.000%	78.125%
Landowner		12.500%
Newtak Pty Ltd		5.000%
California Service Pty Ltd		4.375%

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## **MEDIA AND INVESTOR CONTACT:**

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Austin Exploration Limited

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## **Competent Person's Statement**

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. Stanley L. Lindsey, Chief Geologist, Austin Exploration Limited.

Mr. Lindsey holds a Bachelor of Science Degree in Geology with a minor in Chemistry and has over 28 years of oil and gas experience including exploration, development, operations, acquisitions and divestitures. His background also includes mapping, utilising integration of 2-D and 3-D seismic with subsurface data and reserve calculations. He is a Certified Petroleum Geologist and has been a member of the American Association of Petroleum Geologists and the Houston Geological Society since 1979. He also belongs to the Society of Independent Professional Earth Scientists (SIPES). Mr. Lindsey has the relevant experience within the industry and consents to the information in the form and context in which it appears.

Please visit the Company's website for more information on the Park City area and other projects that Austin is involved with.

<http://www.austinexploration.com/>