



2008 RIU GOOD OIL CONFERENCE PREVIEW

Target scores another discovery

TARGET ENERGY IS continuing to add incrementally riskier but higher reward prospects to its US Gulf Coast exploration portfolio in pursuit of higher production, and to date the overall strategy appears to be working.

Target expects to add to its production profile with oil from the first well within the East Chalkley (Pine Pasture-2) oil appraisal project (25% working interest).

East Chalkley slipped into Target's drilling schedule earlier this year as a test of a potentially recoverable volume of some 2.4 million barrels.

The well intersected oil within the deeper Alliance sands and is now being flow-tested.

In the event of a commercial success an aggressive appraisal program is being designed by operator Centurion Exploration.

Initial wireline analysis of Pine Pasture-2 identified 9.5 metres of net oil pay in the Alliance W2 sand at 2,923m, while there is additional potential 3m of additional pay in the higher Alliance W1 sands.

The well will be initially completed as an oil producer from the W2 sand.

Low-risk

Managing director Laurence Roe said the prospect was based on an earlier well, now known as Pine Pasture-1, in a 3D-defined down-dip location from the Chalkley field.

"The original company was drilling through a shallow gas field they did not have the rights to, so they duly noted (the field) on the logs and drilled deeper, but what appears to have happened is that they missed some oil pay," Roe said.

Another older, untested down-dip well also indicated an oil zone but was never tested until Target and its partner returned to East Chalkley in the hope of finding by-passed pay.

"Getting a good result here wasn't a

great shock but it was very pleasing to us," Roe said.

The trick now will be to prove the flow rates and solve the water disposal problem.

The well is designed to flow up to about 400 bopd, but has a high water cut, Roe said.

"With oil prices at record levels, if we can produce at that range it would provide substantial cash flow for us."

Testing has flowed at 405 bpd of oil and water, with an oil cut between 20% to 50% with a significant increase in the proportion of oil to water indicating that the rate of oil production in the initial flow testing phase may have been under-reported.

The well is presently shut-in undergoing a pressure build-up test before testing resumes.

Duster

Unfortunately, the facts of any exploration program are that successes are usually outweighed by failures, and the Vincent-1 well (15%WI) within the Bandito prospect was no exception.

The well was one of Target's larger prospects, targeting 42 billion cubic feet of gas (P10) in the Oligocene-age Bol mex sands.

The deep well was drilled and cased to 3,932m by operator Aspect Energy however wireline logs showed the Bol Mex sands are absent in the well location and the well has been plugged and abandoned.

Busy

Roe said the third quarter would be one of Target's busiest since listing in late 2006.

The company expects to drill up to four wells, including the high impact Catapult-3 prospect targeting 200 bcf and 10 mmbbl (15% WI) and two new wells in the Section 28 field area.



Snapper A-3 will be drilled 122m north of the producing Snapper A-1 to test two sands that were not intersected in the original producing well (25% WI). Incremental reserves of up to 700,000 bbl and 4 bcf could be added, replacing the declining Snapper A-2 well.

Target will also drill Parks North (10% WI) to test potential hydrocarbon volumes of 25.7 bcf and 150,000 bbl.

Target may also re-enter the Bayou Berard well, Beyt-1, once the Marg Vag sands are depleted to test the untested Marg Tex sands seeking 1.1 mmbbl and 400 mmcf.

Production

Target has now drilled eight wells since

listing, and if East Chalkley performs it would be the sixth well brought into production although two of the company's initial small discoveries, Garwood and Thoroughbred have declined more rapidly than expected – a loss offset by stronger Henry Hub gas prices of up to US\$12/mcf.

The company just completed a \$3.4 million capital raising to help fund its upcoming wells and seek new opportunities.

“Target has been growing incrementally for the past two years, however with Bandito, East Chalkley, Parks North, Snapper A3 and particularly Catapult all coming together in the second half of this year, we are set to grow exponentially,” Roe said.



Multiple wells will be drilled over coming months