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Lancaster Lease Group - Oklahoma
Mayo Moore #5 completed for oil and gas Production
Baggett #1-33 completed for oil production
Proposals for gas stripping plant under consideration

AusTex Oil Limited **(ASX:AOK**), reported the following update on operations in Tulsa County, Oklahoma:-

Mayo Moore #5 Well

This well has been opened in the Red Fork Formation at 1482 feet, with 24 feet of net pay zone perforated and stimulated by hydraulic fracturing. During production testing the well produced at a rate of 60 barrels of oil per day (BOPD) with associated gas.

Baggett #1-33 Well

This well has been completed for oil production in the Wilcox Formation at 2200 feet. During production testing the well produced at a rate of 28 BOPD. Flow lines and electrical connections are expected to be finished within two weeks, weather permitting, and the well will be put into production. Additional shallower zones from which oil and gas was displaced during drilling, including the Woodford Shale at 2135 feet and the Red Fork Formation at 1494 feet, are behind the pipe and may be opened for production at a later time.

Baggett #2-33 Well

The well has been perforated in the Red Fork Formation at 1485 feet and treated with an emulsified diesel fracture of 285 barrels at 16.3 barrels per minute with close-in pressure of 600 pounds per square inch. Production testing has commenced. Flow line installation and electricals will run concurrent with the Baggett #1-33 Well work.

Gas Production and Reservoir Management Plan

As previously reported, oil and gas production on the lease group has been slowed down until a gas treatment and reservoir maintenance plan is implemented.

Management of AOK are currently reviewing proposals from a number of engineering firms for the installation of an on-site gas stripping plant. Initial modelling indicates that for each 280 thousand cubic feet (280MCF) of gas treated; 10 to 15 barrels of natural gas liquids could be extracted depending upon configuration and temperatures.

Following the installation of the gas stripping plant, a reservoir maintenance plan will be implemented which will include water and gas injection into producing formations in order to maintain long term oil and gas production.

Gas tests on the Mayo Moore #2 Well measured a flow rate of 730 thousand cubic feet per day (730 MCF/D). Other wells on the lease are also producing associated gas, with flow rates still to be independently tested.

Total gas sales during December were 8200 MCF, as gas sales are currently being maintained at 260 MCF/D from the lease group. Average revenue per MCF received for November gas sales was $AUD5.75, as a result of the high liquid content.

Development drilling to continue

Permits to drill an additional 5 wells have been obtained. This includes the Mayo Moore #7 Well which will be a 1100 foot well targeting the Big Lime formation as a 50 foot offset to the Mayo Moore #5 Well. Drilling is scheduled to commence later this month, weather permitting.

AOK holds a 100% working interest and a 81.25% net revenue interest in this project.

About AusTex

AusTex Oil Ltd (ASX: AOK) which was listed on the ASX in January 2008 is focused on reworking and development of oil and gas leases in the USA. The company produces oil and gas from leases in Oklahoma and Kansas. In Oklahoma, the Lancaster Lease Group and BlueHawk Project are now connected to gas sales infrastructure, with further development wells planned on both leases.

Since listing, AusTex has increased its lease interests from 1,000 acres to 69,000 acres. International Energy Corporation (IEC), a wholly owned subsidiary of AusTex, holds a 10 year exclusive marketing agreement for the State of Oklahoma for the patented Radial Jet Enhancement Technology. Oil and gas leases in Kansas are held in partnership with Castle Resources Inc., the Kansas operator of the Radial Jet Enhancement Technology.

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