

**ASX Announcement – December 30, 2011**

**Hawkley Oil & Gas  
Monthly Operations Update**

Hawkley Oil & Gas is pleased to provide an update on its operational activities in Ukraine for the month of December.

- Choke size was increased on Sorochynska-201 and led to an increase in production of 25 MMCF of gas and 780 barrels of condensate compared with November;
- Total volumes produced during the month amounted to 216 MMCF of gas and 7,400 bbls of condensate;
- December sales revenue net of VAT increased over November by \$400,000 to US\$2.7 million before state production taxes and operating costs;
- Chernetksa-1 well encountered water-wet sandstones in the B20 and B21 targets and is at a depth of 4,509m and drilling ahead to the B24/25 carbonate target.

**Directors**

**Paul Morgan**  
Chairman

**Michael Earle**  
Chief Executive

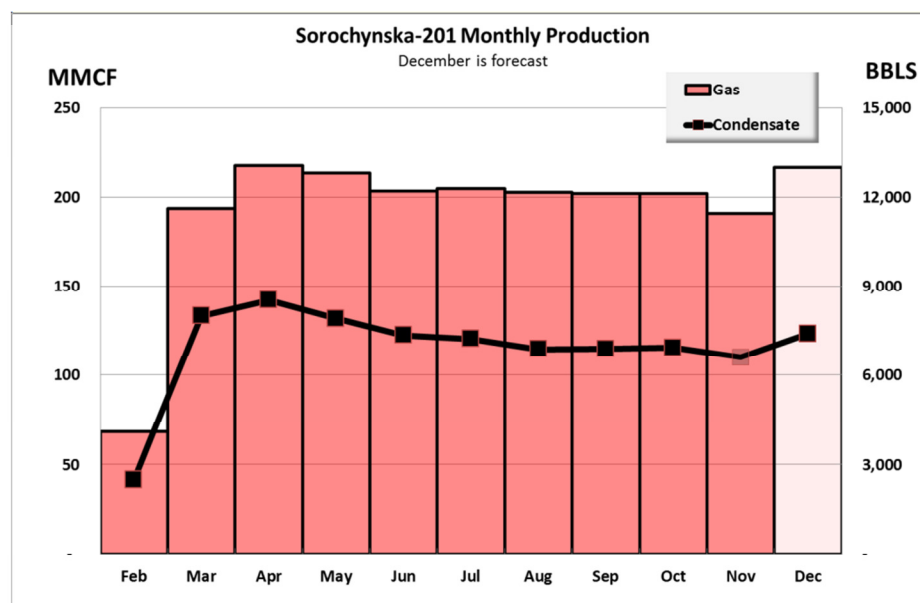
**David Riekie**  
Non-Executive Director

**John Hopkins**  
Non-Executive Director

**Share Information**

ASX Code:	HOG
Shares on issue:	285.5 million
Options on issue:	39.8 million
Share Price:	20c
Market Cap:	\$57 million

**Production**



For personal use only

Hawkley increased the choke size on Sorochynska-1 from 9mm to 10mm, and daily production from the well increased to an average of 7.0 MMCF of gas and 239 bbl of condensate in December, compared with daily averages of 6.3 MMCF and 216 bbl in November. Total volumes produced during the month amounted to 216 MMCF of gas and 7,400 bbls of condensate.

### **Sales & Revenue**

Sales revenue in December is forecast to be US\$2.7 million gross and US\$2.0 million net of state production taxes.

### **Sorochynska Licence & Field Development**

Rigging-up at the Sorochynska-202 site continues and spud is expected in the first week of January.

### **Chernetska Licence Drilling Operations**

Hawkley is drilling its first well in the Chernetska Licence, which is situated west of Kiev in the northeast part of Ukraine, and 80km from its producing field in the Sorochynska Licence. Dry-hole cost for material and services is budgeted at US\$8 million and cost to date is US\$8 million with 100m remaining to be drilled. As at 6am on 29th December, the well was at a depth of 4,509m and the current operation was drilling ahead toward the B24/25 exploration target.

During December, the well was deepened from 4,273m to 4,509m. A 7m core was retrieved from the B20 unit and consisted of interbedded sandstone and shale. Two porous sandstone intervals were encountered, and subsequent log analysis confirmed that both are water-wet. The well drilled ahead and encountered a 15m thick porous sandstone in the B21 unit; log analysis confirmed that the reservoir is water-wet. No tests were performed.

Forward operations are to drill through the B24/25 carbonate unit, which is the main exploration target in the well, and TD the well at 4,600m as per programme. The B24/25 unit contains the majority of the contingent and prospective resources attributed to the licence area. Hydrocarbon accumulations in the B24/25 are contained in stratigraphic traps controlled by areas of good porosity and permeability, and they are independent of prospects at the B20 and B21 levels, such as those targeted in the Chernetska-1 well.

### **Reserves & Resources**

Evaluation of the contingent and prospective resources within the Sorochynska Licence continues. A draft report on the B18 reserves in the Block 110 field has been received from the Competent Person and will be finalised shortly, and the evaluation of the resources in both licences is in progress.

## CEO's Comments

CEO Dr Michael Earle commented that Hawkley was conducting a full technical evaluation of the results at the B20 and B21 level in the Chernetska-1 well, including re-mapping of the seismic data and considering whether a sidetrack towards the Slobidska-321 well would be a feasible option.

“Though the results from the B20 and B21 are disappointing, Chernetska-1 was programmed to include the B24/25 and B26 exploration targets and Hawkley will drill ahead to the planned TD to make sure that all opportunities to find commercial hydrocarbons in this well are taken.”

## ENDS

**For more information, contact:**

**Dr Michael Earle**

**Chief Executive Officer**

**Hawkley Oil & Gas Limited**

**Ph: 08 9429 8856**

**[www.hawkleyoilandgas.com](http://www.hawkleyoilandgas.com)**

**About Hawkley**

Hawkley is an upstream company focused on the exploitation of undeveloped discoveries made in the Dneiper-Donets Basin in Ukraine. The Company owns 100 per cent of two exploration licences that include the right to pilot production of hydrocarbons.

In 2010, the Company drilled its first well in the Sorochynska licence. Sorochynska-201 was a successful well and was put into production in February 2011. Hawkley intends to build its own gas handling plant in 2012 to enable production to be ramped up for additional production of gas and condensate at its Sorochynska Licence. Incremental production could come from additional development wells on the Sorochynska Field as well as new reserves related to exploration and appraisal drilling. The company is presently engaged in drilling its first well in its Chernetska Licence.

