



sunset energy Ltd

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Manager Announcements
Company Announcements Office
Australian Securities Exchange
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Nesbitt #5 Well at the Silverthread Project

Highlights

- Hydrocarbon indications observed in the Saugus sand reservoir at 3,200 feet
- Well drilling ahead at 4,730 feet
- Expected to reach target depth of 7,900 feet in approximately 10 days

Sunset Energy Limited (“Sunset Energy”) (ASX Code: SEY) advises that drilling of the initial well, Nesbitt # 5, at the Silverthread Project in the Ventura Basin, California is continuing in line with expectations. As at 0600 hours on 22 May 2008 (Pacific Coast Time, USA), the well has been drilled to a depth of 4,730 feet and was drilling ahead in a 9 7/8 inch hole. The 10 3/4 inch surface casing has been set to 1,003 feet. Some hydrocarbon indications have been observed in the shallow Saugus sand reservoir at around 3,200 feet. The significance of the hydrocarbon shows will be evaluated after wireline logging operations have been completed.

The Nesbitt #5 well will be drilled to a target depth of 7,900 feet. The primary zones of interest are the Upper and Lower Mohnian Sand (Monterey Formation). This well is expected to take up to 25 days to drill in the absence of any unforeseen operational problems using the Kenai drilling rig.

Background to the Silverthread Project

Sunset Energy has a 20% working interest in the Silverthread Project, which is located in the prolific Ojai oil and gas producing area located in the Ventura Basin, about 100 kilometres northwest of Los Angeles, California (refer to Figure 1).

The Silverthread Project has estimated potential P50 recoverable resources of approximately 7 million barrels of oil and over 15 billion cubic feet of gas on the 600 acre position acquired. At today’s oil and gas prices, Sunset Energy’s estimated net revenue interest is valued at around A\$125 million in the success case.

The Silverthread Project is primarily targeting a deeper Monterey sand reservoir adjacent to the Silverthread oil field and the shallow Saugus sand reservoirs near large oil seaps. In 1971, a discovery was made in the nearby deeper Monterey sand reservoir. These wells had initial production rates of over 200 barrels a day of 33 gravity oil and associated gas from a high porosity formation.

Partners in the Nesbitt #5 well (and their respective working interests) are:

Mirada Petroleum Inc. (Operator) and Partners:	60.0%
Solimar Energy Limited (ASX Code: SGY):	20.0%
Sunset Energy Limited (ASX Code: SEY):	20.0%

Yours faithfully,



David Prentice
Director

Figure 1. Silverthread Project Location (upper Ojai Oil Field)

