

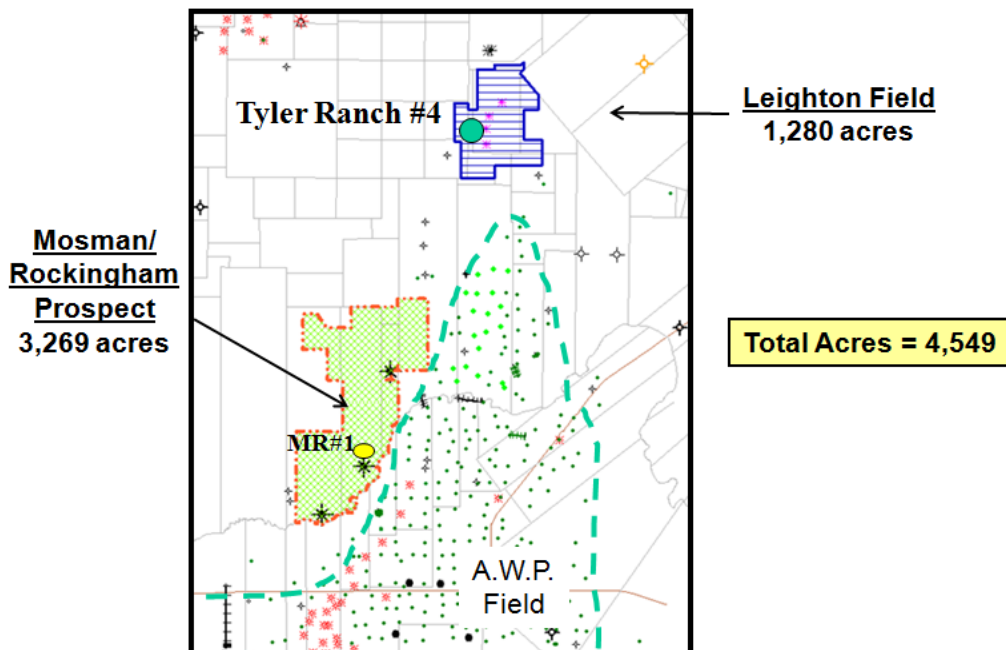
28 January 2010

**FIRST WELL TO TEST OLMOS AND EAGLE FORD
IN MOSMAN-ROCKINGHAM AT 100% WI**

Texon Petroleum Ltd ("Texon") advises that it plans to commence drilling the first Mosman-Rockingham ("MR #1") well in late February. MR #1 lies some 8 kilometres (5 miles) south of the Leighton Field and will be drilled to a depth of 3,414m (11,200ft) to test the Olmos and Eagle Ford reservoirs, both of which are oil and gas productive in nearby wells.

Like the Company's Tyler Ranch #4 well, MR #1 will target the Olmos reservoir which is productive at Leighton as well as in the adjacent AWP field just to the east. MR #1 will be deepened to investigate whether the Eagle Ford Shale ("EFS") at Mosman-Rockingham contains potentially producible oil and gas as in the Company's Tyler Ranch #4.

Tyler Ranch #4 encountered 142 ft of oil and gas shows in the EFS with similar EFS characteristics as in the highly productive EFS interval in the Hawkville field which is 20 kilometres (12 miles) to the south west of Mosman-Rockingham. Initial production rates from the Hawkville wells were up to 13mmcfgepd.



Mosman and Rockingham are contiguous leases covering 3,269 acres and can be considered as one prospect in which the Company owns a 100% WI. MR #1 will de-risk this entire area if the presence of the Olmos and Eagle Ford reservoirs is confirmed.

Should the EFS results be similar to Tyler Ranch #4, then this would support the conclusion that oil and gas productive Eagle Ford Shale is likely across the Company's 4,549 acres of Leighton and Mosman-Rockingham leases.

Due to the proximity to the Olmos AWP field and the indicated presence of oil and gas in the Olmos reservoir from wire line logs obtained from old wells within the two leases, and the likelihood of the EFS being present, the Company decided to retain 100% WI in the well and not farm down its interest at this stage. The results of MR #1 will assist in planning an EFS horizontal well test, possibly in the second quarter of this year.

Just one successful Eagle Ford well in Leighton where Texon has a 70% WI (e.g. near TR #4 where the Eagle Ford has been proved to be present) at the same initial production rate as the average of Petrohawk's Hawkville wells, would more than double Texon's current production.

Resource Potential

In the Mosman-Rockingham area, the Olmos reservoir at 100% WI represents almost 2 times the resource potential of Texon's current Leighton Olmos interest.

The Eagle Ford at 100% WI in Mosman-Rockingham represents more than 3 times the Eagle Ford resource potential of Texon's current Leighton Eagle Ford holdings. The basis for this is set out in the Company's release dated 25 November 2009.

The total resource potential of the Olmos and EFS as to the Company's current working interests in Leighton and Mosman-Rockingham is 60mmboe.

	EFS (mmboe)	OLMOS (mmboe)	
Leighton	11	4	
Mosman-Rockingham	38	7	
	49	11	Total: 60 mmboe

Texon has a 100% working interest (71.25% net revenue interest) in the Mosman-Rockingham area.

USA Gas Supply

[Upstream staff](#) Thursday, 21 January, 2010, 22:16 GMT

"US natural gas storage levels slipped below the five-year average last week for the first time in 17 months, according to data released by the US Energy Information Administration (EIA).

The EIA report showed total domestic gas inventories fell last week by 245 billion cubic feet to 2.607 trillion cubic feet.

Storage had fallen sharply over the past six weeks as frigid weather blanketed much of the nation (USA), kicking up space heating needs and forcing some users to rely more heavily on inventory as some wells froze up from the cold.

Utilities and large industrial companies typically store gas in underground caverns from April through October to help meet winter heating needs from November through March.

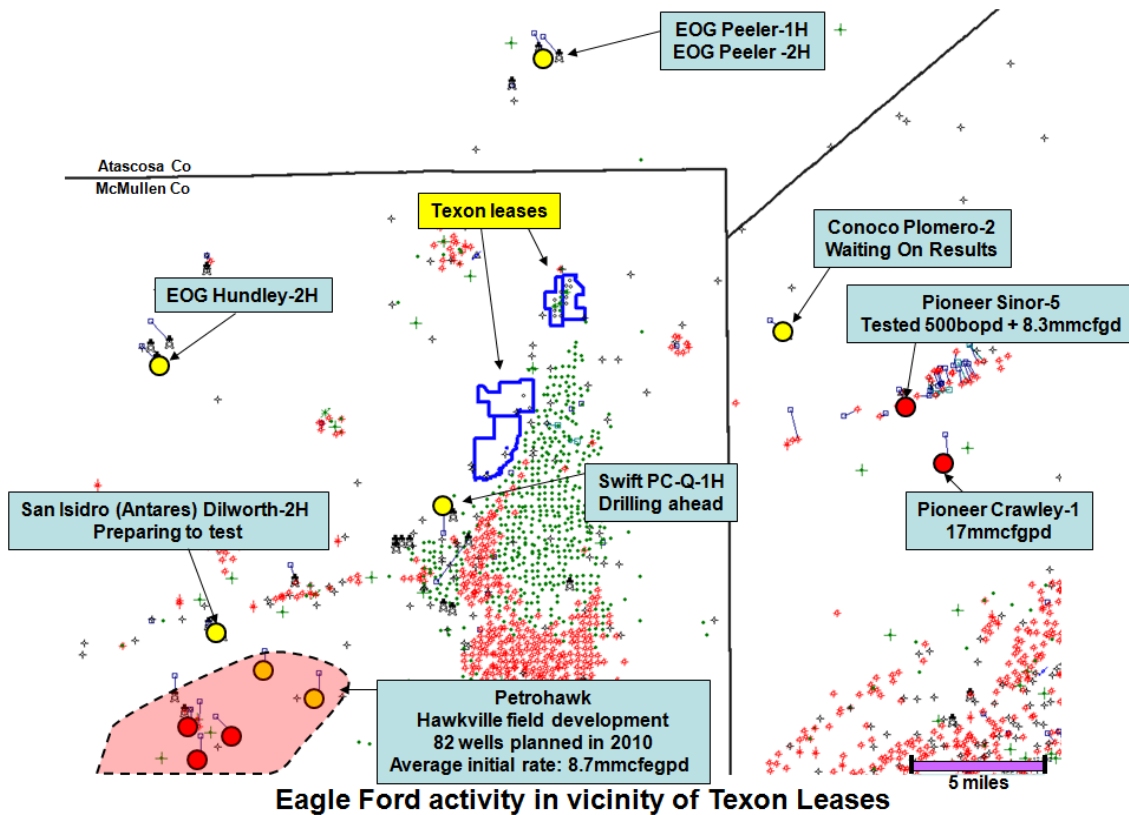
In November, many analysts had expected inventories to end the heating season at record highs in the 1.9 Tcf area, but the steady cold since early December and subsequent strong storage draws have prompted a lowering of estimates to about 1.6 Tcf.

If storage drawdowns for the rest of winter match the five-year average pace, inventories will end the heating season at near normal levels of about 1.48 Tcf."

This is an encouraging trend for natural gas prices and USA gas producers.

Industry Activity

Industry drilling activity in the Eagle Ford shale has increased in the areas surrounding the Company's Leighton and Mosman-Rockingham leases with a number of large US independents actively drilling in the area.



Pioneer reported an initial flow rate of 17 mmcf/gpd from its Crawley #1 well and 500bopd and 8.3mmcf/gpd from its Sinor Ranch #5 well both approximately 24 kilometres (15 miles) to the east of Leighton and Mosman-Rockingham.

EOG is drilling a well 16 kilometres (10 miles) north of Leighton and another well 26 kilometres (16 miles) to the west.

Swift is drilling just 3 kilometres (2 miles) south west of Rockingham.

Petrohawk, one of the larger US players in the Eagle Ford, recently announced plans to drill 82 Eagle Ford wells in 2010. In the Hawkeville field 20 kilometres (12 miles) to the south west of Rockingham, Petrohawk has averaged an initial rate of 8.7mmcf/gpd from the first 16 wells.

Please refer to Texon's website for all recent announcements www.texonpetroleum.com.au

Oil and gas futures Prices (Source: NYMEX March 2010 contracts)

Oil: US\$ 74/bbl
Gas: US\$ 5.20/mmbtu

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Glossary:

Bbl: barrel
bopd: barrels of oil per day
ft: feet
m: metres
mmbtu: million British thermal units
mmboe: million barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6mcf to 1 barrel of oil equivalent)
mmcf/gpd: million cubic feet of gas per day
mmcfegpd: million cubic feet of gas equivalent (including oil converted to gas equivalent cubic feet on basis of 1 barrel to 6mcf of gas equivalent)
NYMEX: New York Mercantile Exchange
NRI: Net Revenue Interest
WI: Working Interest
Tcf: Trillion cubic feet