



ABN 24 119 737 772

30 October 2009
ASX release

SEPTEMBER 2009 QUARTERLY REPORT

PRODUCTION

Production for the quarter was:

	Gas (mcf)	Oil (bbl)	Total (mcf)
Gross	236,509	16,066	332,905
Nett (Texon share)	149,089	8,664	201,072

Year to date (9 months):

	Gas (mcf)	Oil (bbl)	Total (mcf)
Gross	649,396	36,266	866,992
Nett (Texon share)	428,481	19,745	546,951

Gross average daily production for the September quarter was 2,571 mcfgpd and 175 bopd (Texon's share: 1,621 mcfgpd and 94 bopd i.e. 364 boepd) from 9 producing wells.

Daily production as of 20 October 2009 was gross: 3,205 mcfgpd and 316 bopd (Texon's share: 1,923 mcfgpd and 168 bopd i.e. 488 boepd).



Leighton Oil Storage and Processing Facility

REVENUE

Revenues received for the quarter and the year to date before severance tax and lease operating expenses were US\$0.92 million and US\$2.90 million, respectively. Cash proceeds from gas and oil sales are received two months after production and sales take place, so that the revenue received for the quarter is from production during May, June and July. The average oil and gas market prices during the quarter were about US\$65/barrel and US\$3.25/mcf, respectively. Increased production from Leightons 3, 4 and 5 since July will result in increased revenue in the December quarter this year and the first quarter of 2010.

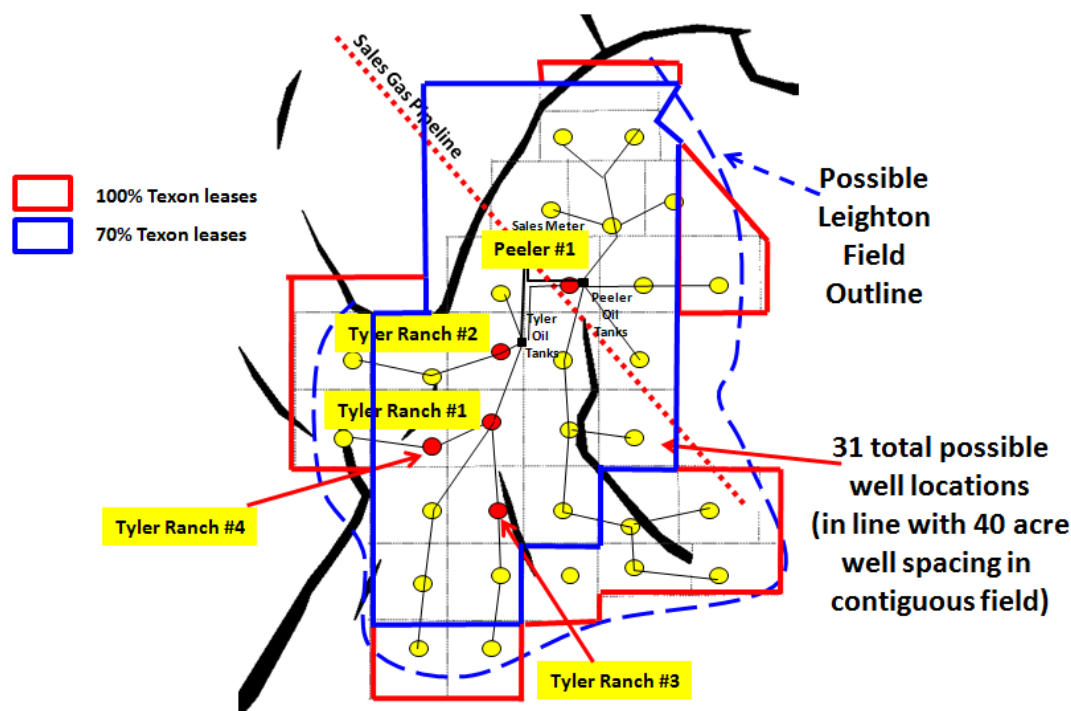
LEIGHTON OIL AND GAS PROJECT (Texon 70% WI, 52.5% NRI)

During the period Peeler #1, the first Leighton well, was successfully refracture stimulated resulting in an increased production rate. It is currently producing at 100boepd.

Two additional Leighton wells (making four wells) were drilled and a fifth well commenced drilling on 10 October. Tyler Ranch #2 and Tyler Ranch #3 were spudded on 19 August and 5 September respectively and both intersected oil and gas in the Olmos reservoir and connected to sales gas pipelines and oil tanks. The initial flow rates of Tyler Ranch #2 and Tyler Ranch #3 were 366 bopd and 500 boepd respectively.

Having two additional wells connected to the sales pipeline and the re-fracture of Peeler #1 has increased gross production at the Leighton project from 415 boepd at the start of the quarter to 621 boepd as of 20 October, 2009.

The fifth Leighton well, Tyler Ranch #4, was recently drilled encountering oil and gas shows in the Olmos Leighton reservoir and in the Eagle Ford Shale. Production casing has been run in preparation for fracture stimulation of the Olmos reservoir in early November after which it will be placed on production.



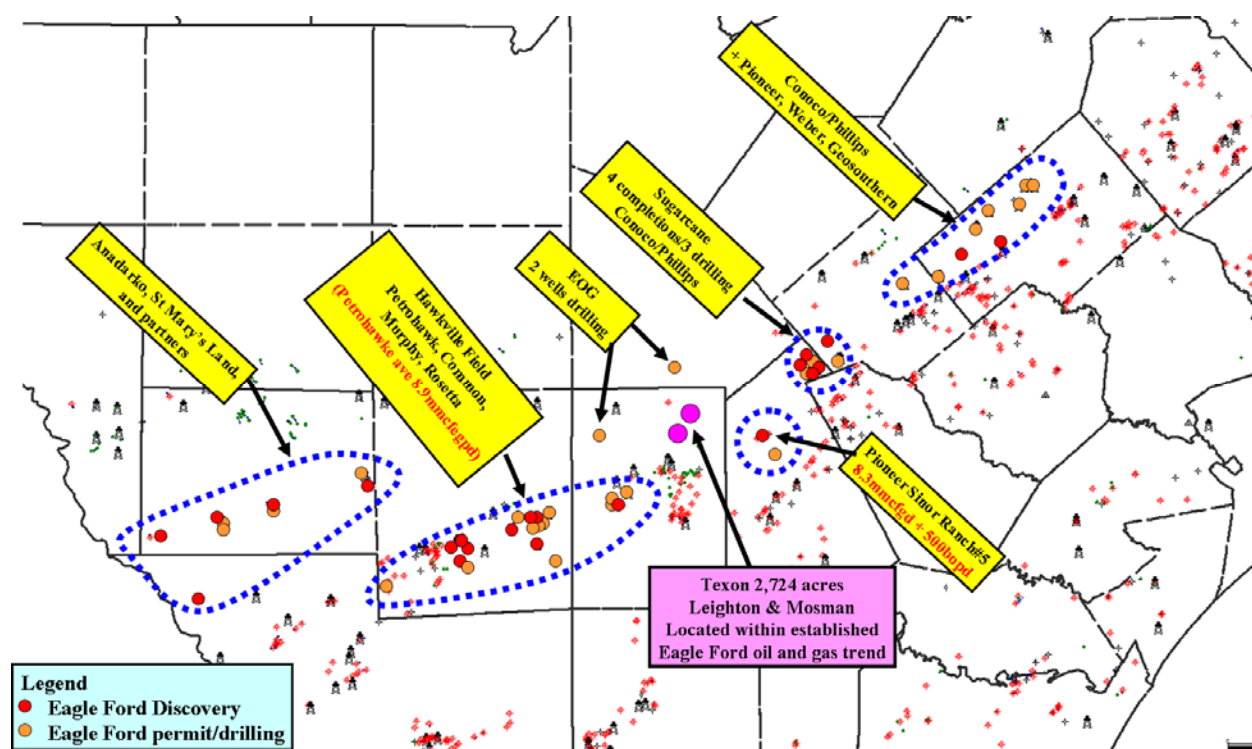
Texon Petroleum Ltd

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LEIGHTON / MOSMAN AREA - EAGLE FORD SHALE POTENTIAL

Over the past 12 months there has been an increase in drilling activity in the Eagle Ford Shale. Texon's leases lie within the Eagle Ford Shale trend. An average initial flow rate of 1,500 boepd from 11 wells has been reported by USA based company, Petrohawk, while another large US independent Pioneer Natural Resources recently reported an initial flow rate of 8.3mmcf/gpd and 500 bopd (1,880 boepd) from their Eagle Ford well to the east of Leighton.

Texon has a gross 2,724 acres in this area covered by the Mosman and Leighton leases and continues to look to expand its position. The current leases include 100% Working Interest ("WI") in Leighton in 460 acres, and 70% WI in 830 acres at Leighton and a 100% WI in the 1,434 acres in Mosman.



Tyler Ranch #4 has proven the presence of the Eagle Ford shale under the Leighton leases and the likely presence of the Eagle Ford under the Mosman leases.

Over the next several weeks, specialist technical analysis will be undertaken on the Eagle Ford samples from Tyler Ranch #4 to evaluate the Eagle Ford Shale's oil and gas potential.

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PLACEMENT / SHARE PURCHASE PLAN

On 4 August, the Company announced the first stage of its capital raising. A placement of 13.5 million shares at 19 cents per share to sophisticated and institutional investors raised A\$2.6m. This was followed by the launching of the Share Purchase Plan on the 14 August which was strongly supported by shareholders who applied for 31,055,454 shares at 19 cents per share and raised a further A\$5.9m. A total of 44,558,379 new ordinary shares were issued in the two raisings and brings the Company's ordinary fully paid issued shares to 134,577,879.

The A\$8.5m raised has been directed towards continuing the drilling of production wells in the Leighton field and to seek additional acreage in the Leighton area. So far three more Leighton wells have been drilled and an additional 290 acres over the Mosman and Leighton projects have been acquired.

SALE OF FRIO PRODUCTION AND PROSPECTS

A letter of intent to purchase two of the Company's producing wells from the Frio reservoir and six leased but undrilled Frio prospects for US\$860,000 was received and announced in August. The buyer had until 17 August 2009 to finalise the Sale and Purchase Agreement with payment by 11 September 2009. The potential buyer was unable to raise sufficient funds at that time. They have entered discussions with an alternate capital provider with the intention of closing the transaction in 1 to 2 months.

LEASING

During the quarter the Company increased its acreage holding in the Leighton and Mosman areas from 2,434 acres to 2,724 acres. The Company continues to pursue additional leases in the same area.

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

ENDS

For further information, please contact:

Dr John Armstrong, Chairman

Brisbane: 07 3211 1122

or

Mr David Mason, Chief Executive Officer & President

Brisbane: 07 3211 1122

Houston: +1 281 419 4976 (Houston is 15 hours behind Aust Eastern Standard time)

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Glossary:

bbl:	barrels
bcf:	billion cubic feet
bcfe:	billion cubic feet of gas equivalent (including oil converted to gas equivalent on the basis of 1 barrel of oil converts to 6mcf of gas)
boe:	barrels of oil equivalent
Btu:	British thermal unit
bopd:	barrels of oil per day
boepd:	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6mcf to 1 barrel of oil equivalent)
ft:	feet
m:	metres
M:	million
mcf:	thousand cubic feet
mcfe:	thousand cubic feet of gas equivalent including oil converted to gas equivalent on the basis of 6mcfe for each barrel of oil
mcfgpd:	thousand cubic feet of gas per day
mmbbl:	million barrels of oil
mmboe:	million barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6mcf to 1 barrel of oil equivalent)
NRI:	Net Revenue Interest
Q1-Q4:	Refers to the first, second, third and fourth calendar quarters of the year
WI:	Working Interest

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TEXON PETROLEUM LTD

ABN

24 119 737 772

Quarter ended ("current quarter")

30 SEPTEMBER 2009

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	1,066	3,793
1.2	Payments for		
	(a) exploration and evaluation	(2,541)	(4,500)
	(b) development	-	-
	(c) production	(314)	(935)
	(d) administration	(354)	(1,192)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	63	80
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(2,080)	(2,754)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(11)	(11)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(11)	(11)
1.13	Total operating and investing cash flows (carried forward)	(2,091)	(2,765)

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1.13	Total operating and investing cash flows (brought forward)	(2,091)	(2,765)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,466	8,466
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – payment of share issue costs	(166)	(166)
	Net financing cash flows	8,300	8,300
	Net increase (decrease) in cash held	6,209	5,535
1.20	Cash at beginning of quarter/year to date	3,731	4,833
1.21	Exchange rate adjustments to item 1.20	156	(272)
1.22	Cash at end of quarter	10,096	10,096

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	331
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 – Payment of salaries and fees to directors and related parties under approved agreements

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	N/a
3.2 Credit standby arrangements	Nil	N/a

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,100
4.2 Development	-
Total	4,100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,168	1,021
5.2 Deposits at call	2,928	2,710
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,096	3,731

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>	None			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	None			
7.3	*Ordinary securities	134,577,879	134,577,879		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	44,558,379	44,558,379		
7.5	*Convertible debt securities <i>(description)</i>	None			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7	Options <i>(description and conversion factor)</i>	B. 2,770,000 C. 3,000,000 D. 5,780,000 E. 2,500,000 F. 2,500,000 G. 2,700,000	nil nil nil nil nil nil	<i>Exercise price</i> 50 cents 75 cents 100 cents 50 cents 100 cents 75 cents	<i>Expiry date</i> 08-05-2011 08-05-2011 08-05-2011 08-05-2012 08-05-2012 08-05-2010
7.8	Issued during quarter	None			
7.9	Exercised during quarter	None			
7.10	Expired during quarter	None			
7.11	Debentures <i>(totals only)</i>	None			
7.12	Unsecured notes <i>(totals only)</i>	None			

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 30 October 2009

Print name: Desmond Frederick Olling

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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