

ASX RELEASE**15 JANUARY 2010****SUGARLOAF OPERATIONS UPDATE**

Eureka Energy Ltd ("Eureka") provides the market with an update on operations within the Sugarloaf AMI.

Kowalik-1H - Fracture stimulation program

Following the decision to tie back the liner at Kowalik-1H, having observed an anomalous pressure drop at the end of the main fracture stimulation stage, a rig was mobilised to the wellsite to carry out the necessary work. During one of the final stages of this work, when cement had been circulated into the annulus of the tie back string, a section of slim drill pipe being used as a running string for the tie back string parted some 700ft below surface. The initial fishing activities have so far recovered tubing down to a depth of 8,150ft but in light of the other activity commencing within the Sugarloaf AMI, it has been decided to suspend operations on Kowalik-1H so that further evaluation and planning can take place before re-entering the well. The workover rig is presently being demobilised from the location. This will lead to a further delay before Kowalik-1H can be prepared for flow testing following the fracture stimulation carried out on the 28th December 2009.

Easley-1H – spud date for new horizontal well

Eureka has been advised by the Operator, Texas Crude Energy Inc ("TCEI"), that the Patterson #150 drilling rig commenced mobilisation to the Easley-1H rig site on Thursday 14th January. It is expected that the well will be spudded early in the week beginning 18th January 2010. Easley-1H will be the first new well to be drilled under the farmin agreement with Hilcorp Energy within the Sugarloaf AMI.

Kennedy-1H – scheduled commencement of fracture stimulation program

Eureka has been advised by TCEI, that the Kennedy-1H fracture stimulation is scheduled to commence on Monday 18th January. As previously advised the 4,000ft of horizontal liner will be fraced in 14 separate stages with an isolation plug set between each stage. The operation is expected to take 7 – 10 days after which the isolating plugs will be drilled out and the well cleaned up and then flowed to sales.

Yours sincerely

EUREKA ENERGY LIMITED**Graham Dowland
Chairman**