

# ASX/Media Release

For Immediate Release – 25 February 2014  
Ref. #005 14



**LION**  
energy

## Seram well boosts oil production by 20%

### Highlights

- Oseil-26 development well producing at approximately 490 bopd.
- Production from the Seram oilfields is now averaging more than 2800 bopd, a 20% increase.
- The Oseil-21 development well is due to spud this week and is expected to further increase oil production with an initial rate 500 bopd anticipated based on the Oseil-26 result.
- Following Oseil-21, the JV plans to drill the Lofin-2 appraisal well, which is anticipated to spud in July 2014.

Lion Energy Ltd (ASX Code: LIO) is pleased to report that the recently completed Oseil-26 development well in eastern Indonesia is performing at above pre-drill expectations.

The well was completed on 30 January 2014 and has been producing crude oil at an average rate of 490 bopd (12.5 bopd net to Lion's interest). This compares with pre-drill predicted initial production of 300 bopd.

Oil production from Oseil and surrounding oilfields has averaged 2831 bopd (71bopd net to Lion), an increase of 20% from the approximate 2350 bopd prior to Oseil-26 coming on line. Production currently exceeds guidance production of 2500 bopd in Lion's prospectus issued on 6 November 2013.

The Oseil-21 development well, due to spud this week, is designed to exploit undrained oil reserves on the western flank of the Oseil-2 fault block. Drilling is expected to take about 90 days and, if successful, the well should commence production in May 2014.

Following Oseil-21, the joint venture plans to drill the Lofin-2 well to appraise the exciting Lofin-1 discovery made in 2012. Current scheduling has the well spudding in July 2014 following the completion of Oseil-21.

Lion's CEO, Kim Morrison, said: "We are delighted with the performance of the Seram Project, which continues to surprise on the upside."

"While a 2.5% interest may seem modest, it still makes a meaningful contribution to our company," he said. "We are optimistic that the Oseil-21 development well will further enhance production and look forward to the high-potential Lofin-2 appraisal well later in the year."

### Lion at a glance

- Transforming from a small Indonesian conventional oil and gas player to an Indonesian unconventional oil and gas pioneer.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well funded to execute our 2014 business plan.

### Contact

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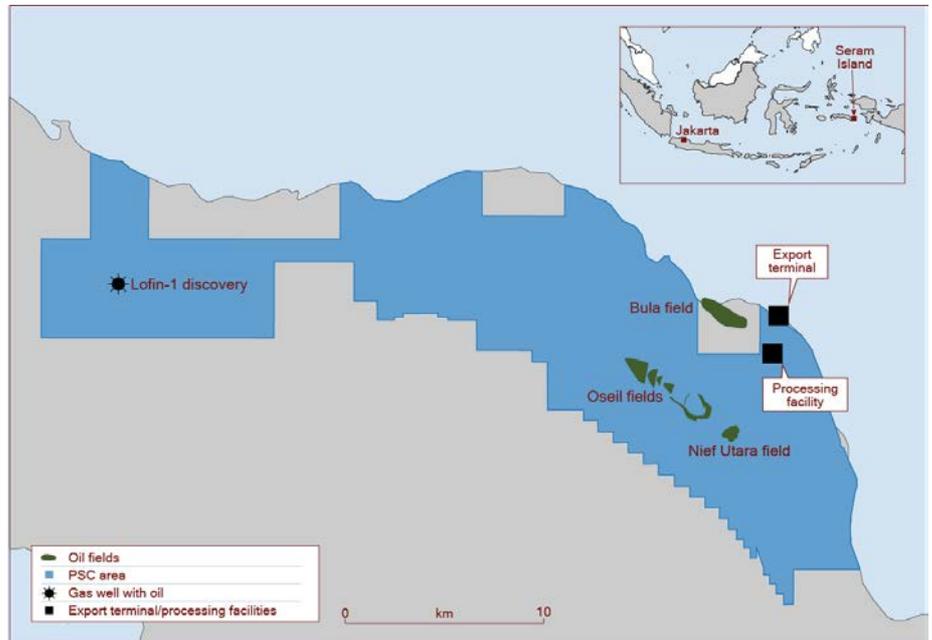
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## Seram (Non-Bula) Block PSC

Lion, via its wholly owned subsidiary, Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block Renewal Production Sharing Contract (PSC), located onshore Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners are KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have produced cumulative crude oil production of 12,130,226 barrels since initial field start-up in January 2003 through to 31 January 2014.



### Oseil-26 development well

The Oseil development well was spudded on 7 December 2013 and completed on 30 January 2014, taking 85 days. As the well has cleaned up, the operator has prudently increased the flow choke to its current setting of 19/64<sup>th</sup> inch, and the flow rate has stabilised at 489 bopd during the past 10 days with less than 2% water/filtrate.

Potential exists to increase the choke setting further. However the operator will monitor well performance and make further adjustments as is deemed appropriate. Well planning was based on an initial flow rate of 300 bopd. The current flow rate is approximately 496 bopd, significantly above expectations. Flowing wellhead pressure is approximately 495 psi.

Oseil-26 well is an infill development well located about 280m north-west of the Oseil-15 deviated well in the Oseil-2 structural area. The Oseil-26 proposed development well was drilled with the producing Manusela fractured carbonate as the main objective.

The top of the Manusela was encountered at 1902m/6,240ft MD (1541m/5055ft sstvd), 393 feet high to prognosis, and the 6-1/8<sup>th</sup> inch open-hole section extends from 2046m/6712ft MD (1632m/5354ft sstvd) to 2151m/7058ft MD (1669m/5475ft sstvd).

The seven- inch casing was set at 1632m/5356ft sstvd, approximately 45 feet below the gas oil contact, to limit the potential for gas coning to occur.

The criteria for selection of the Oseil-26 location was based on the identification of an attractive undrained area on the western flank of the faulted four-way dip closure of the Oseil-2 fault block. Pre-drill forecast production potential was 401,000 barrels of oil from Oseil-26 (based on predicted initial production of 300 bopd). The Oseil-26 infill development well is the sixteenth Oseil Phase II Development Program well and the seventh well drilled in the Oseil-2 area.

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## Oseil-21 development well

The Oseil-21 development well is due to spud this week and is expected to take approximately 90 days from spud to rig release. Oseil-21 is a development well located about 490m north-west of the successful Oseil-26 well in the Oseil-2 structural area, with the main objective being the producing Manusela fractured carbonate. As with Oseil-26, the infill well is intended to recover undrained oil reserves on the western flank of the faulted four-way dip closure of the Oseil-2 fault block. The well will be drilled directionally from the Oseil-15 well pad to a total depth (TD) of 2321m/7615ft (1,669m/5475ft sstvd) in the upper part of the Manusela Formation.

The Oseil-21 infill development well is the seventeenth Oseil Phase II Development Program well and the eighth well drilled in the Oseil-2 area. Economic justification for the well is based upon a low oil rate outcome of 300 bopd and a base case of 500 bopd. If successful, estimated base case production potential from the well is 631,000 barrels of oil.

## Lofin-2 appraisal well

Lofin-2 is an appraisal well of the large Lofin structure that is scheduled to be spudded in July 2014, upon completion of the Oseil-21 development well. The Lofin-1 discovery well was drilled in 2012 and flowed gas and oil/condensate from the Manusela Formation at a rate 15.7 mmscfd and 171 bpd of 36.1° API oil/condensate, with a flowing wellhead pressure 4,750 psi on 24/64-inch choke. An oil/water contact is yet to be established and downhole shut-in pressure data, acquired during testing operations, indicates potential for a highly significant hydrocarbon column (up to 774m/2540ft) extending below the total depth of Lofin 1, which will be tested by Lofin-2.

Lion's share of the cost of drilling Lofin-2 is forecast to be fully funded out of Lion's production revenue from the Seram (Non-Bula) PSC.

## Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Pursuant to the requirements of the ASX Listing Rules Chapter 5 the technical information and resource reporting provided in this announcement are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, Chief Executive Officer of Lion Energy Ltd. Mr Morrison holds a BSc (Hons) in Geology and Geophysics from the University of Sydney and has more than 28 years of experience in exploration of, appraisal and development of oil and gas resources including evaluating petroleum reserves and resources. Mr Morrison has reviewed the results, procedures and data contained in this announcement. Mr Morrison consents to the inclusion of this announcement of the matters based on the information and context in which it appears. Mr Morrison is a member of AAPG.

## Glossary

bopd: barrels oil per day

mbbl: thousand barrels

MD: measured depth

mmscfd: million standard cubic feet of gas per day

psi: pounds per square inch

sstvd: subsea true vertical depth

TD: total depth

## About Lion

Lion Energy Ltd is an ASX listed oil & gas exploration & production company focused on Indonesia, where it has been operating for some 15 years. It has two existing conventional Production Sharing Contracts (PSC's) – Seram and South Block A - and an early mover position in the fledgling Indonesian unconventional industry via four Joint Study Applications.

Lion's leadership team has vast experience in the south-east Asian oil and gas industry, particularly Indonesia. In its recent recapitalisation, two Indonesian strategic investors, Risco Energy and Tower Energy, became substantial shareholders of the company.