



Lion Energy

Mar 25th 2015

Lion Energy gas shows point to significant column at Lofin-2

Lion Energy (ASX:LIO) and its partners have intersected elevated gas readings up to 229 units at their Lofin-2 appraisal well in the Seram (Non Bula) production sharing contract, Indonesia.

The joint venture is now in the process of cutting a second core in the primary objective Manusela Formation before drilling the well to its planned total depth of 5,425 metres.

This core will provide important rock data to assist in the evaluation of the well.

Further evaluation, including electric wireline logging and planned production testing, will be required to confidently determine the fluid content and reservoir quality of the Manusela interval.

Lion has a 2.5% interest in the Seram (Non Bula) PSC, which is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

"The gas shows point to a potentially significant gas column in the large Lofin structure," chief executive officer Kim Morrison said.

"The plan is to continue drilling to evaluate the extent of the potential column and whether an oil leg is present. While the presence of significant gas shows is encouraging we caution it is still too early to reach a conclusion as to the eventual outcome of the well."

Drilling to date

The Lofin-2 appraisal well encountered the top of the primary objective Manusela Formation limestone at 4,615 metres, about 345 metres deeper than the top Manusela Formation in the Lofin-1 discovery well.

The potential hydrocarbon column is at least 600 metres to current total depth, based on preliminary well data while drilling.

Lofin-2 is currently preparing to cut an 18 metre core to provide important rock data to assist in the evaluation of the well.

Only 1.7 metres of core, consisting of tight limestone, was recovered in the first coring attempt due to mechanical issues.

Once this is recovered, drilling will continue to the planned total depth of 5,425 metres.

This will allow evaluation of the extent of the potential hydrocarbon column and whether an oil leg is present.

Drilling may end shallower if there are no further indications of hydrocarbons and/or a water contact is penetrated.

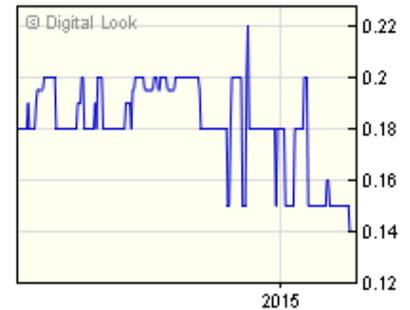
The Manusela Formation is described as predominantly limestone, with nil-to-poor visual porosity.

Some mud losses have been recorded while drilling indicating fractures are likely to be present in the interval.

Price: A\$0.14

Market Cap: A\$11.258M

1 Year Share Price Graph



Share Information

Code: LIO

Listing: ASX

Sector: Oil and Gas Exploration and Production

Website: www.lionenergy.com.au

Company Synopsis:

Lion Energy (ASX:LIO) is focused on the emerging unconventional oil & gas market in Indonesia.

Author:

Proactive Investors +61 2 9299 5001

action@proactiveinvestors.com.au



High connection gas and trip gas have also been recorded in the well. Overall weak fluorescence shows continue to be recorded in the Manusela.

Lofin-2

Lofin- 2 is located in the Seram (Non Bula) PSC in eastern Indonesia and spudded on 31 October 2014.

It is being drilled to appraise the Lofin-1 discovery made in 2012, which flowed 15.7 million standard cubic feet of gas and 171 barrels of oil/condensate per day from the fractured Manusela Formation.

The objective of the well is to investigate the extent of the hydrocarbon column below the 160 metres delineated in Lofin-1 which could not be drilled deeper due to engineering issues.

Analysis

The gas shows from the Lofin-2 appraisal well point to a potentially significant gas column in the large Lofin structure.

Further work including wireline logging and production testing will be required to reach a conclusion about its potential.

Lion Energy's conventional assets provide the potential to provide near-term cashflow to fund the longer term, higher reward unconventional exploration.

Notably, its interest in the oil producing Seram block was cash flow positive in 2014 with its large cost recovery pool ensuring that approximately 95% of the oil revenues flowed through to the joint venture.

Despite the modest interest, the block is important to Lion and a recently commenced development drilling phase on the main Oseil oil field is anticipated to significantly grow production.

The company is well-funded with \$5.6 million in cash and deposits as at the end of 31st December 2014.

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