

Lion Energy

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The Lofin-2 appraisal well has encountered oil and gas shows similar to those encountered in the Lofin-1 discovery. Wireline logging and possible production testing will be required to determine the fluid content in the primary objective Manusela Formation.

Analysis

The gas and oil shows in Lofin-2 are interesting given its location down dip of the discovery well though wireline logging and possibly flow 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.

[Lion Energy \(ASX:LIO\)](#) has reported oil and gas shows in the primary objective of the Lofin-2 appraisal well in the Seram (Non Bula) production sharing contract, Indonesia.

These are similar to shows encountered in the Lofin-1 discovery though further evaluation, including electric wireline logging and possible production testing, will be required to determine the fluid content.

Drilling of the well is continuing to the planned total depth of 5,425 metres. This may be shallower if there are no further indications of hydrocarbons and/or a water contact is penetrated.

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 presence of some gas and recorded oil fluorescence in Lofin 2 is of interest, especially as the well is approximately 345 metres down dip from the Lofin-1 discovery well," chief executive officer Kim Morrison said.

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“However evaluation of a fractured reservoir is inherently challenging and further evaluation including wireline logging and possible formation testing is required to determine the fluid content in the Manusela objective.

“Hence it is still too early to reach a conclusion as to the eventual outcome of the well.”

Drilling Results

The top of the primary objective Manusela Formation limestone was encountered at 4,165 metres, about 345 metres deeper than the top Manusela Formation in the Lofin-1 discovery well.

Some elevated gas peaks, along with some fluorescence shows in rock cuttings, have been recorded.

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

These shows in Lofin-2 are similar to shows encountered in the Lofin-1 discovery well.

Lofin-2 was drilled 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.

Lofin-1 flowed 15.7 million standard cubic feet of gas and 171 barrels of oil and condensate during testing from the fractured Manusela Formation.

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