



Lion Energy

May 18th 2015

Lion Energy increases oil production at Oseil field in Indonesia

Lion Energy (ASX:LIO) is set to increase its cash flow following the successful completion of the Oseil-27 development well at the Seram (Non-Bula) Block production sharing contract in Indonesia.

The well is currently flowing oil at about 600 barrels per day increasing field production to 3,100bopd (78bopd net to Lion).

Further production increases could come from Phase 3 of the Oseil field development, which has been approved by the Indonesia regulator and is economically attractive at current oil prices.

The six development wells target undrained oil within the Oseil-2 area of the Oseil field.

Each well is expected to access Reserve of between 0.4 million and 0.6 million barrels of oil.

"The result of Oseil-27 has exceeded expectations and highlights the potential of the Oseil field which is now producing at approximately 3,100bopd," managing director Kim Morrison said.

"With the formal approval of Phase 3, the joint venture is currently considering additional development drilling opportunities with potential to significantly increase field production."

Testing is ongoing at the Lofin-2 oil and gas appraisal well.

Oseil-27 Development well

Oseil-27 was proposed based on the success of two prior development wells in the same area; Oseil-21 and Oseil- 26.

The initial pre- drill production rate was forecast to be 500bopd and accessing 0.505 million barrels of oil.

The well was drilled as a deviated well from the Oseil-15 drilling pad.

While final numbers are still being compiled, the well cost has come in significantly under the original budget estimate of US\$13.6 million.

Given the existing operating facilities at Seram the incremental operating costs of the additional well are estimated to be under \$10 barrel.

The primary objective Manusela Formation was encountered at 1870 metres with good gas and oil shows encountered.

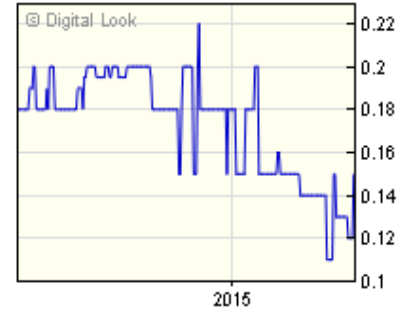
After setting the 7" liner, losses were encountered while drilling 6 1/8" hole through the Manusela Formation to total depth suggesting high fracture density. The well reached a total depth of 2241 metres.

Oseil Oil Field

Price: A\$0.15

Market Cap: A\$12.062M

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.

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Lion has a 2.5% interest in the Seram (Non-Bula) Block PSC that contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 13,349,119 barrels since production started in January 2003 through to 31 March 2015.

The operator of the joint venture is CITIC Seram Energy Ltd (51%), and other partners are KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

Investment in the Oseil field Phase 1 Development commenced in January 2000 and Phase 2 in March 2004.

The area of Phase 1 and Phase 2 Development covered the Oseil-1/4 and Oseil- 2 areas and provided for the drilling of 18 wells, which have been drilled.

The field is currently producing approximately 3,100bopd (78bopd net to Lion) from 16 wells.

Production is currently constrained by a faulty pump on the Oseil-26 well and planned remediation of this well, currently underway, should add about 200bopd to production.

Proved and Probable Reserves are estimated at 172,675 barrels net to Lion.

Phase 3 Development

The joint venture has secured all external approvals for a third phase of development drilling on the Oseil field.

This includes the drilling of up to 10 additional horizontal wells, four of which have already been drilled under a negotiated arrangement with the regulatory body prior to approval of Phase 3

The estimated total cost of the remaining six Phase 3 wells and related facilities is US\$67.97 million (US\$1.7 million net to Lion).

It is expected that the operator will stage the drilling program such that these capital costs can be financed by the free cash flow from the existing production revenues.

Drilling of the wells will be contingent upon positive outcomes of the earlier wells in the program.

Oseil-28 is proposed as the next well to be drilled and is currently under review by the joint venture.

South Block A

Separately, Lion advised that the Indonesian Ministry of Energy and Mineral Resources has approved a 19-month extension to the exploration period of Peak Oil and Gas' (ASX:PKO) South Block A PSC in Indonesia.

The exploration period will now end on 4th December 2016 and allows the PSC contractor further time to drill one exploration well to fulfil the PSC firm commitment.

Lion has a 35% interest in South Block A.

The planned shallow well will target oil on the Paya Bili structure where small volumes of oil were produced during the early 1900s.

South Block A is located in the prolific North Sumatra Basin close to existing pipeline and facilities.

Analysis

The successful Oseil-27 development well and the upcoming Phase 3 development wells could increase Lion Energy's near-term cashflow.

This will in turn support its longer term, higher reward unconventional exploration in Indonesia.



Lion is well-funded with \$4.1 million in cash as at 31st March 2015.

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