

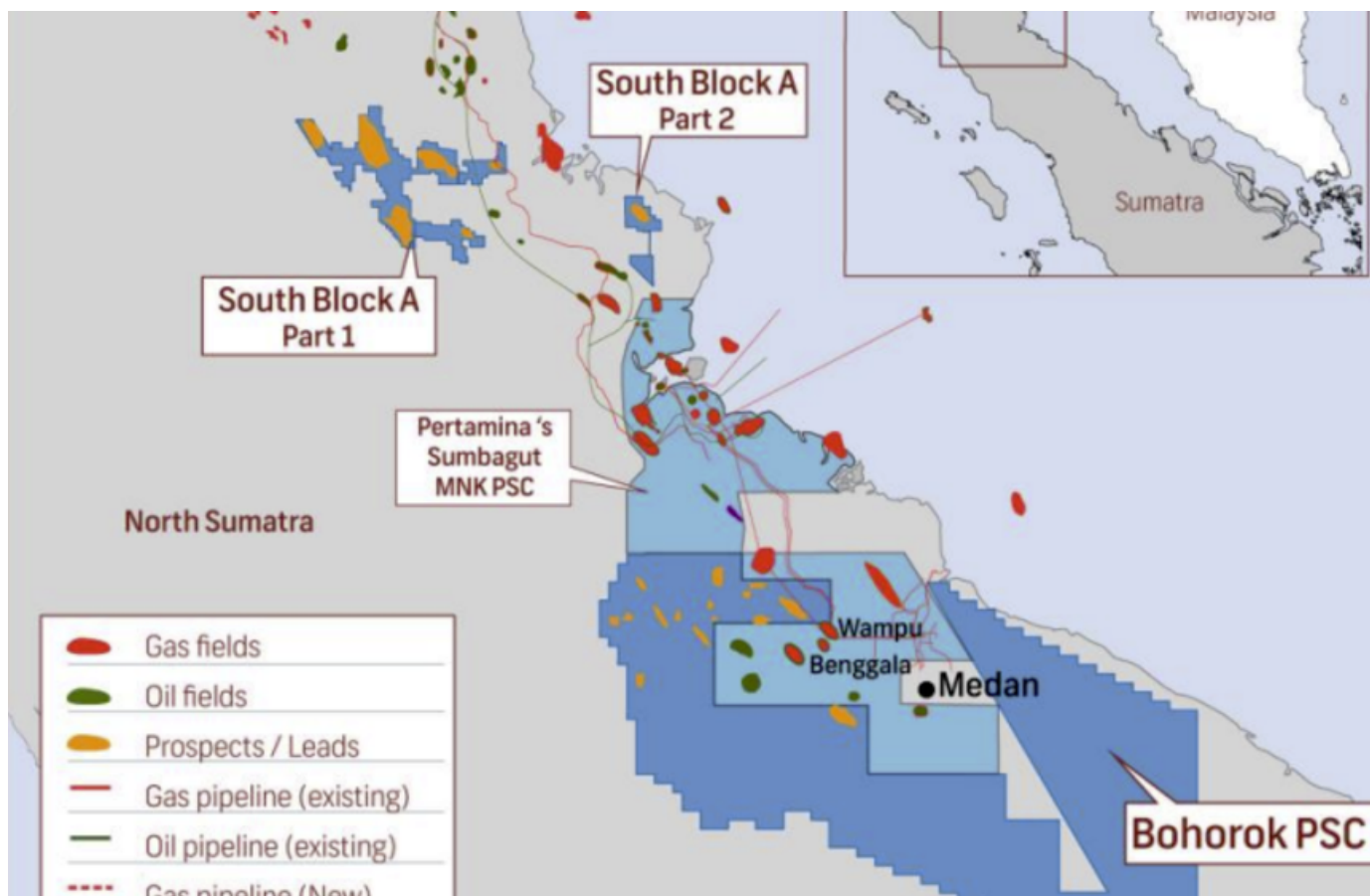
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## All eyes on Indo shale well

LION Energy and New Zealand Oil & Gas are eagerly awaiting the results of Pertamina's Melucut-1 well, the first targeted shale well in Indonesia, in an area adjacent to the pair's joint study area and several existing PSCs.

Haydn Black (/author/profile/888c32d3-3646-4857-be37-825277f70940/haydn-black) 03 May 2017  
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Lion opened up the year with the shallow Amanah Timur-1 discovery, a further testament to the rich potential of the North Sumatra Basin, but it says the results of Melucut-1 could have a direct impact on what it sees as the major upside in the nation, the shale potential.

Lion has invested in a range of joint studies across Indonesia looking for the areas it sees as being the most prospective for shale oil and gas in the nation.

These include one study over the Bohorok PSC, jointly owned by NZOG, Canada's Bukit Energy and local firm Surya Buana Lestarijaya, which is immediately south of the just-drilled area where Pertamina has been assessing Indonesia's shale potential in the Sumbagut MNK PSC since 2013.

The unconventional joint study covers 4684sq.km and was awarded two years ago.

Lion says that the key elements are in place for prospective unconventional plays such as shales and tight hydrocarbons, based on the results of a joint study undertaken last year with Padjadjaran University in Bandung.

Lion said the main focus in its areas would likely be the Lower to Middle Miocene Belumai and Lower Baong formations, although it needs the area to be released by the government for unconventional exploration, a process that is still to really start.

The Australian junior and its partners then have a right to match the highest offer for the block, and Lion says that by working with the conventional rights holders it is working to smooth out any landholder issues.

It is the results of Melucut-1 that raise the prospect of any competing bid so interesting, but Lion and its partners at the front of the queue if Melucut-1 comes in with any respectable numbers, and have an artillery of knowledge ready to deploy if they can keep hold of the area.

It is understood that Melucut-1 reached total depth late last year and will be logged, perforated, fraced and tested, so Lion is in a position to leverage knowledge gained from this well

The Sumbagut block alone could host up to 18Tcf alone, Pertamina had previously estimated.

It is hoping it can establish production from the area of 40-100MMcfd within a decade.

Lion also confirmed it had completed a another study with the University Gajah Mada in Eastern Indonesia, and the company sees plenty of potential in the area of multi-tcf scale gas and multi-hundred million barrels of oil in the areas of that application, which it has decline to disclose as it seeks to increase its equity position beyond 50%.

Likewise, the company is waiting to hear on the results of the 2481sq.km JSA covering part of the Bengkalis Graben in the Central Sumatra Basin (Lion 75%), again in JV with the conventional rights holders.

The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province that hosts major discoveries and encouragement for the unconventional potential in the prospective source rocks.

The joint study was conducted with the Institute of Technology Bandung and integrated regional geological and geophysical information. It was completed in February 2016.

As a result of the study Lion has subsequently recommended adding additional proximate areas to the study area.

Away from unconventional potential, Lion continues to develop its conventional business.

Production from the Seram PSC continued to perform solidly during the quarter with daily production of 3480bopd, or a net 87bopd to Lion, down marginally over the quarter, although it remains profitable, generating around \$500,000 for Lion per lifting.

The company has \$US1 million in cash, with which it is planning an appraisal of the Amanah Timur-1 discovery

Based on geological data the potential of non-conventional oil and gas in Indonesia is estimated at 574Tcf.



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