



Lion Energy

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Lion Energy looks to commercialise Indonesian gas discovery

Lion Energy (ASX:LIO) is looking to commercialise the successful Lofin-2 gas discovery at the Seram (Non Bula) production sharing contract (PSC) in Eastern Indonesia.

In addition, production at the Oseil field has held steady at about 3,430 barrels of oil per day (86 barrels net to Lion) following the recent completion of the Oseil-27 development well.

The Seram joint venture has suspended the Lofin-2 appraisal well, that flowed gas at about 17.8 million cubic feet per day, as a potential producer.

Results exceed pre-drill expectations and confirmed a material discovery for the company even with its 2.5% stake in the Seram PSC.

It has also spudded Oseil-28 development well, the fifth of 10 approved wells in the Phase 3 development plan.

Oseil-28 is projected to produce 500bopd and recover approximately 480,000 barrels. It is economic at current oil prices.

Kim Morrison, chief executive officer, said:

"Lofin-2 is an exciting result for Lion and we look forward to working with our co-venturers and the Government on commercialising this important discovery."

Lofin-2 Appraisal Well

The Lofin-2 appraisal well spudded on 31st October 2014 to appraise the 2012 Lofin-1 discovery, which flowed gas and some oil/condensate from the Manusela Formation fractured limestone.

It flowed 17.8 million cubic feet of gas per day with some water and minor condensate.

Results indicate the water comes from the lower part of the well coincident with a decrease in gas readings while drilling from around 5,595 metres to total depth.

It is likely the water can be isolated successfully (or not penetrated in future wells), in which case gas flow rates would be anticipated to be significantly higher than rates measured in Lofin-2.

Initial analysis indicates the gas in the Lofin structure has minimal contaminants.

The Lofin-2 results confirm a material gas discovery for the Lofin structure and evaluation of the comprehensive dataset acquired is continuing.

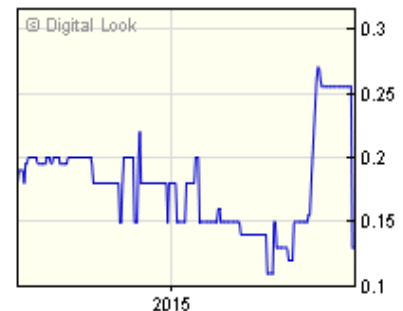
Well costs up to the commencement of well suspension have been approved to a value of US\$38.2 million (Lion share is about US\$0.955 million).

Lion has paid sufficient funds via cash calls to date to have fully paid its share of the well to this joint venture approved level, including an additional amount above this that should meet the company's share of the costs to suspend the well.

Price: A\$0.13

Market Cap: A\$10.454M

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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Oseil-28 well

The joint venture has spudded Oseil-28, an infill development well located east of the recent successful Oseil-27 well in the Oseil-2 producing compartment.

The well will be directionally drilled to target the Manusela fractured carbonate and is anticipated to take approximately 90 days (including mobilisation) to complete.

It is intended to recover undrained oil reserve of about 480,000 barrels in the northern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block.

Oseil-28 is the fifth well of the approved 10 well Phase 3 development plan.

This has provided extremely positive results to date and is responsible for significantly increasing production from the Oseil field which is currently producing at approximately 3,430 barrels of oil per day (bopd).

The Phase 3 well program, plus production from existing wells, is expected to increase production to about 4,500bopd based on forecasts prepared by the operator.

Economic evaluation was carried out on a 5.5mmbbl incremental reserves case anticipated from the Phase 3 program.

Following the drilling of Oseil-28 the plan is for the rig to drill the Oseil-22 location.

Analysis

Commercialisation of the Lofin-2 gas discovery will be a major addition for Lion Energy despite its 2.5% stake in the Seram PSC.

It is noteworthy that further wells on the Lofin structure could produce at higher rates than the 17.8 million cubic feet of gas per day by avoiding or isolating water found in the lower part of the structure.

Ongoing development drilling at the Oseil field is also expected to further increase oil production.

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