

# ASX/Media Release

For Immediate Release – 18 May 2015



## Seram development drilling boosts production, more wells planned

### Highlights

- Oseil-27 development well successfully drilled and completed and flowing oil at approx. 600 bopd
- Field now producing at approx. 3100 bopd (78 bopd net to Lion)
- Phase 3 of Oseil field development approved by regulator, comprising up to six more development wells

Lion Energy Ltd (ASX Code: LIO) advises the Oseil-27 development well on the Oseil field in the Seram (Non-Bula) Block PSC has reached total depth and is currently flowing oil at approx. 600 bpd. The operator, CITIC Seram Energy Ltd, has also advised that Phase 3 of the Oseil field development has now been approved by the Indonesia regulator, paving the way for up to six more development wells to be drilled.

The Phase 3 development wells target undrained oil within the Oseil-2 area of the Oseil field. Reserves to be accessed by each well are approximately 0.4 – 0.6 million bbls. The Phase 3 development is economically attractive at current oil prices.

Lion's CEO Kim Morrison commented "The result of Oseil-27 has exceeded expectations and highlights the potential of the Oseil field which is now producing at approximately 3100 bopd. With the formal approval of Phase 3, the joint venture is currently considering additional development drilling opportunities with potential to significantly increase field production."

Seram (Non Bula) PSC and Oseil Oil Field



### Lion at a glance

- Transforming from a small Indonesian conventional oil and gas player to an Indonesian unconventional oil and gas pioneer.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- Experienced executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute the 2015 business plan.

### Contact

#### Lion Energy Limited

ABN 51 000 753 640

ASX Code: LIO

Ground Floor, 15 Rheola Street

West Perth

WA 6005, Australia

Post Box 512

West Perth Business Centre

WA 6872, Australia

Tel +61 8 9211 1500 | Fax +61 8 9211 1501

info@lionenergy.com.au

[www.lionenergy.com.au](http://www.lionenergy.com.au)

### Directors & Officers

<b>Russell Brimage</b>	Executive Chairman
<b>Kim Morrison</b>	Chief Executive Officer
<b>Stuart B Smith</b>	Executive Director
<b>Tom Soulsby</b>	Non-Executive Director
<b>Chris Newton</b>	Non-Executive Director
<b>Zane Lewis</b>	Company Secretary

### For more information contact

**Kim Morrison**

+61 404 490 964

[kmorrison@lionenergy.com.au](mailto:kmorrison@lionenergy.com.au)

**Stuart Smith**

+65 9820 3889

[ssmith@lionenergy.com.au](mailto:ssmith@lionenergy.com.au)

**Zane Lewis**

+61 400 007 900

[zlewis@lionenergy.com.au](mailto:zlewis@lionenergy.com.au)

# ASX/Media Release

For Immediate Release – 18 May 2015



## Oseil Oil Field

Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block PSC, located onshore Seram Island in eastern Indonesia. 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%).

The block 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.

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.

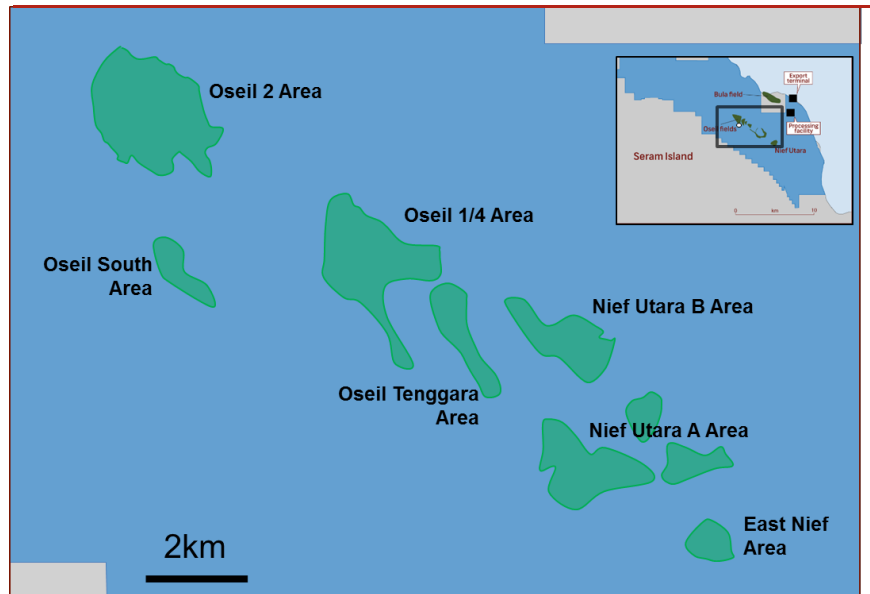
The field is currently producing approx. 3100 bopd (78 bopd net to Lion) from 16 wells. Production is currently constrained by a faulty pump on the Oseil-26 well and planned remediation of this well, currently underway, should add approx. 200 bopd to production.

## Phase 3 Development

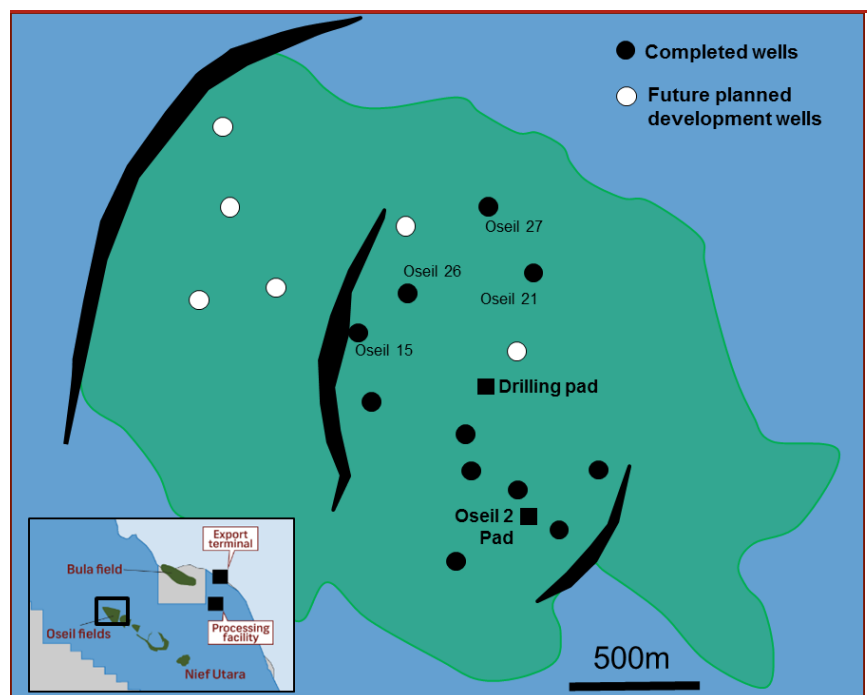
The Seram Joint Venture has secured all external approvals for a third phase of development drilling on the Oseil field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field. The Phase 3 development plan includes the drilling of up to 10 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 Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015.

The estimated total cost of the remaining six Phase 3 wells and related facilities is US\$67.97mil (US\$1.7mil net to Lion). Reserves to be addressed by each of the six wells is around 0.4 - 0.6 million bbls each. 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. The drilling of all six remaining wells will be contingent upon positive outcomes of the earlier wells in the program.

Oseil field overview



Oseil-2 field area



# ASX/Media Release

For Immediate Release – 18 May 2015



The recently completed Oseil-27 development well was the fourth well in the POFD. Oseil-28 is proposed as the next well to be drilled and is currently under review by the joint venture.

## 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 500 bopd and accessing 0.505 million bbls of oil. The well was drilled as a deviated well from the Oseil-15 drilling pad. The budget cost of the well and associated facilities was US\$13.6mil, equating to a capital cost of US\$23/bbl. Whilst final numbers are still being compiled, the well cost has come in significantly under the original budget estimate. Given the existing operating facilities at Seram the incremental operating costs of the additional well are estimated to be under \$10 barrel.

### Status

- Well spudded on 27 February 2015
- 30 inch surface casing was set at 88.7m MD
- 20 inch casing was set and cemented at 364m MD
- 13 3/8 inch casing was run and cemented at 1605m MD
- Manusela Formation encountered at 1870m MD
- 9 5/8 inch casing was run and cemented at 1872m MD
- 7" liner run and cemented to 2102m MD
- Total depth of 2241m MD reached on 6 May 2015
- Ran electrical submersible pump (ESP) on 3 1/2" completion tubing
- Rig released on 12 May 2015

The primary objective Manusela Formation was encountered at 1870m TVD (1508m ssTVD), with good gas and oil shows encountered in 8 1/2 inch hole. 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 2241m MD (1669m ssTVD).

Completion activities including running a pump were conducted smoothly and the well commenced producing on 10 May 2015 with oil production increasing rapidly. The current rate is in excess of 600 bopd with less than 0.1% water cut on a 24/64"choke.

## Reserves

As previously reported, the operator of the Seram (Non Bula) Block PSC, CITIC, commissioned a reserves report by US experts, DeGoyler & McNaughton (D&M), effective 31 December 2014. Details are reflected in the table below.

D&M estimates Proven Developed reserves to be 2409 mbbbl. It is anticipated that the success from Oseil-27 will lead to an upgrade in this figure, before accounting for 2015 production. Lion uses Proven Developed reserves as the basis for its depreciation and amortisation calculations.

### Reserves and Contingent Resources<sup>1,3</sup>

	Gross (mbbl)			Net to Lion (mbbl)		
	1P	2P <sup>2</sup>	3P <sup>2</sup>	1P	2P <sup>2</sup>	3P <sup>2</sup>
Reserves	4746	6907	9641	118.65	172.675	241.025
	1C	2C	3C	1C	2C	3C
Contingent Resources <sup>4</sup>	1442	3100	39,146	36.1	77.5	978.7

Source: Degoyler & McNaughton, as at 31 December 2014

1. Hydrocarbon reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the company's operations.

# ASX/Media Release

For Immediate Release – 18 May 2015



2. Incremental probable (2P) and possible (3P) reserves may not be produced before the expiry of the PSC in 2019, and success of the planned joint venture application to extend the PSC beyond this date may be required in order for these reserves to be produced.
3. Reserves have been estimated using the deterministic method.
4. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

## Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, Chief Executive Officer of Lion Energy Ltd. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has more than 28 years of experience in exploration, appraisal and development of oil and gas resources –including evaluating petroleum reserves and resources. Mr Morrison is a member of the American Association of Petroleum Geologists (AAPG). Mr Morrison consents to the release of this announcement and to the inclusion of the matters based on the information in the form and context in which it appears.

## Glossary

bpd: barrels per day

MD: measured depth

mbbl: thousand barrels

mmscfd: million standard cubic feet of gas per day

PSC: Production Sharing Contract

TD: total depth

TVDKB: total vertical depth referenced to the drill floor

TVDSS: total vertical depth referenced to sea level

**ENDS**