

15<sup>th</sup> September 2008

Company Announcements  
ASX Limited

## **LION ENERGY LIMITED (“LION”) ACTIVITIES UPDATE**

Lion Energy Limited presents the following update of activities in the Seram (Non Bula) Block Production Sharing Contract.

### **1. OVERVIEW**

- Nief Utara A-1 discovery well has been trimmed to production and is currently producing approx 420 BOPD.
- Development well Nief Utara A-2 was completed as an oil producer and is awaiting government approval prior to being trimmed to production.
- Development well Nief Utara A-3 is currently drilling.
- Exploration well Dawang-1 encountered a potential gas zone. The well has been suspended pending testing of the potential gas zone.
- East Neif-1 well drilled in 1988 has been re-entered and an ESP installed to flow test zones which recovered oil during drill stem testing in 1988.

### **2. OPERATIONAL DETAIL**

#### **Nief Utara A-1**

Exploration well Nief Utara A-1 was spudded on February 28<sup>th</sup> 2008, with rig release on May 9<sup>th</sup> 2008 after the well flowed oil at the rate of approximately 640 BOPD.)

The approval of the Indonesian government was received on July 31<sup>st</sup> 2008 and the well was placed on production on August 17<sup>th</sup> 2008.

An initial conservative production rate of between 100 and 150 barrels per day has been incrementally increased to between 400 – 450 BOPD. Water cut has been closely monitored during the process of raising the production rate. The water cut remains less than 1%.

Further rate adjustments are envisaged until a stabilized rate is reached. Water ingress is the controlling factor and needs to be closely monitored whilst moderate rate increments are made.

### **Nief Utara A-2**

Delineation well Neif Utara A-2 spudded on May 19<sup>th</sup> 2008, following the completion of discovery well Nief Utara A-1.

Nief Utara A-2 is located some 1,000 metres SE of Nief Utara A-1 well bottom hole location.

Nief Utara A-1 well failed to encounter a water contact. Nief Utara A-2 well trajectory was intended to penetrate the water contact, to assist in reserves evaluation of the Nief Utara A structure and this was accomplished.

The primary target of Nief Utara A-2 was the Manusela Carbonate, with the secondary target the lower part of the Lower Nief carbonate in which an indication of oil show was observed from drill-cuttings in the Nief Utara A-1 well.

The rig was released on August 9<sup>th</sup> 2008 after the well reached total depth of 2,126.9 meters MD (6,975 feet MD) or 1,825.7 meters TVD SS (5,990 ft TVD SS).

As a result of the well penetrating the oil/water contact, reserve estimates were able to be confidently revised. This also necessitated the casing of the Manusela Carbonate (left open hole in Nief Utara A-1) with a 7 inch liner. This required subsequent perforating over the production interval.

The well was subsequently tested with the final rate 372 BOPD with a 12% water cut. The unstable rate during testing suggests the well may not have cleaned up.

Application has been made to the Indonesian government to place the well on production and at the time of this release that approval had not yet been received.

### **Nief Utara A-3**

Delineation well Nief Utara A-3 spudded on August 20<sup>th</sup> 2008 and is a deviated well targeting a bottom hole location some 1,301.4 meters (4,270 feet) from the drilling location in an approximate WSW direction.

The planned depth of the well is 2,475.8 meters MD (8,123 feet MD) or 1,737.3 meters SS (5,700 feet SS).

The primary target is the Manusela Carbonate and the secondary objective is the Lower Nief formation, which whilst shows have been recorded in Nief Utara A-1 and Nief Utara A-2 remains untested. The joint venture is considering methods of completion to enable testing of Lower Nief formation in the future.

Nief Utara A-3 well is currently drilling.

### **Overview Nief Utara A**

The Neif Utara A prospect is an elongate thrust and reverse-fault controlled four way dip closed anticline, situated at the southeast end of the Oseil high trend, along the Oseil – East Neif anticlinorium.

The primary target is the Manusela Carbonate, interpreted to be similar in reservoir characteristics to the nearby Oseil oilfield, which is currently producing at approximately 3,900 BOPD, with cumulative production to 30<sup>th</sup> June 2008 of 7,243,303 barrels of crude oil.

For the Nief Utara A prospect, deterministic IOIP was initially estimated at 34 MMSTBO, and reserves at 10.2 MMSTBO using a 30% recovery factor.

Based on the results from Nief Utara A-1 and Nief Utara A-2, IOIP has been upgraded to 41 MMSTBO for the Neif Utara A prospect, with 2P reserves at 12.3 MMSTBO using a 30% recovery factor.

### **Dawang-1**

On July 14<sup>th</sup> 2008, the Company announced the spudding of exploration well Dawang-1 at 17:00 hours eastern Indonesian time on July 13<sup>th</sup> 2008, in the Seram (Non Bula) Block Production Sharing Contract on the island of Seram in eastern Indonesia.

The Dawang-1 well is located approximately 25 kilometres southeast of the Bula Oilfields.

The Dawang prospect is a seismically defined closure on a faulted structural nose within the Fufa Formation. It features clearly defined seismic amplitude anomalies seen on consecutive lines, believed to be direct indicators of trapped hydrocarbons as seen on seismic lines over the producing Bula Oilfields.

The Bula Oilfields in the Bula Basin are the only commercial producing fields from the Plio-Pleistocene Fufa Formation in eastern Seram. Dawang-1 was selected to test seismic and geological trends that have a similar appearance to the Bula Oilfield, which was discovered in 1897 and from which the main producing field Bula Lemun has produced in excess of 16 million barrels of oil.

The rig was released from Dawang-1 on August 8<sup>th</sup> 2008 after the well reached TD of 655.3 meters MD (2,150 feet MD) or 644.9 meters SS (2,116 feet SS).

Electric logs indicated a gas zone across the interval 433.7 – 439.5 meters MD (1,423 – 1,442 feet MD).in the Matafoten A10 sand.

Preliminary reserve estimates (base case) of the gas reserve indicate potential gas in place of 3.62 BCF, with a recoverable reserve of 1.81 BCF based upon a 50% recovery factor.

The well was temporarily suspended pending testing when a suitable rig becomes available.

The deeper seismic anomaly at the Base Fufa level could not be tested in this well. The joint venture is considering a follow-up well, Dawang-2, to test the Matafoten in the downthrown fault block to the west of Dawang-1 and this well will also test the Base Fufa objective.

The potential gas reserve discovered in this well is relatively small and in an area where no commercial market for the gas currently exists. Flow testing is required to fully evaluate this discovery.

### **East Nief-1**

The 750 HP rig ABS #2 began moving from Dawang-1 to East Nief-1 on August 6<sup>th</sup> 2009.

East Nief-1 was drilled in 1988 to a TD of 6,600 ft RKB and temporarily suspended after six (6) DST's were conducted, several of which recovered oil.

In 1988 the Manusela carbonate was not well understood. Subsequent wells at Oseil and Nief Utara A have provided the joint venture the opportunity to observe the formation during drilling (to continually modify drilling techniques) and during production (with over 7 million barrels produced from Oseil since the field was placed on production).

The acquisition of the 3D seismic over the Oseil field has also enabled the joint venture to re-interpret the East Nief closure.

Preliminary estimates of oil in place are 413 MMbbls and applying a 23% recovery factor recoverable reserves are estimated at 95 MMBBLS.

The purpose of the re-entry at East Nief-1 is to produce oil under test, using an downhole Electric Submersible Pump (ESP) from the Manusela Carbonate formation.

The drilling rig is currently being demobilized from the East Nief-1 well, having completed the work program and installed the ESP. When the rig has been fully demobilized, testing will commence.

### 3. **SERAM (NON-BULA) PSC**

(2.5% contractor interest held through wholly owned subsidiary Lion Petroleum Seram Limited)

LION ENERGY LIMITED, through its wholly owned subsidiary Lion Petroleum Seram Limited, holds a 2.5% shareholding in the Seram (Non Bula) Block Production Sharing Contract. The major shareholder and Operator of the Joint Venture is CITIC Seram Energy Limited (51%), KUFPEC (Indonesia) Limited with 30% and Gulf Petroleum Investment (16.5%). CITIC is the Operator for the Joint Venture.

The block contains the Oseil oilfield which has since initial field start-up in January 2003, produced cumulative crude oil production of 7,243,303 barrels as at June 30<sup>th</sup> 2008.

#### **PRODUCTION**

Production during July 2008 remained steady at 3,910 BOPD.

<b>YEAR 2008</b>				
<b>MONTH</b>	<b>CRUDE OIL (BOPM)</b>	<b>CRUDE OIL (BOPD)</b>	<b>HSFO (BOPM)</b>	<b>NAPTHA (BOPM)</b>
JUN 08	117,630	3,921	87,557	5,911
JUL 08	121,210	3,910	98,273	6,540

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#### ***Nomenclature:***

BCF	Billion cubic feet
BOPD	Barrels of oil per day
BOPM	Barrels per month
DST	Drill Stem Test
IOIP	Initial oil in place
MD	Measured depth
MMBBLs	Million barrels
MMSTBO	Million standard barrels of crude oil
Mscf/BBL	Thousand cubic feet of gas per barrel of crude oil
RKB	Rotary Kelly Bushing (datum for depth measurement)
TVD	True Vertical Depth