



GROUND FLOOR, CANUTE HOUSE  
15 RHEOLA STREET  
WEST PERTH, WESTERN AUSTRALIA 6005  
TELEPHONE: +618 9213 4300  
FACSIMILE: +618 9213 4311  
ABN 51 000 753 640

23 May 2008

Company Announcements  
ASX Limited

## **LION ENERGY LIMITED (“LION”) DRILLING UPDATE NIEF UTARA A-1 WELL APPRAISAL WELL NIEF UTARA A-2 SPUDS**

The Company advises that exploration well Neif Utara A-1 which spudded on February 28<sup>th</sup> in the Seram (Non Bula) Block Production Sharing Contract on the island of Seram in eastern Indonesia has been suspended as a future oil producer.

Progress update:

- Last casing set was 7 inch at 6,705 feet.
- The well was drilled to a total depth of 7,315 feet RKB MD
- In the 16 hours prior to shutin for buildup, the well flowed on Electric Submersible Pump (ESP) on a 20/64 inch choke at a stabilized rate of approximately 640 BOPD.
- Crude oil gravity measured at 0.952, corrected to 15 degF.
- The gas oil ratio (GOR) was measured over the period at a stabilized rate of 0.23 Mscf/BBL
- Water cut during the period was less than 1%.
- The well was shut-in at 17:00 May 8<sup>th</sup> 2008. Flowing WHP at shut-in was 538 psig.
- The drilling rig was released from Nief Utara A-1 on May 9<sup>th</sup> 2008.

Test results for Nief Utara A-1 and electric logs run on the well are being evaluated, prior to further announcements.

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

The drilling rig was skidded from Nief Utara A-1 (NUA-1) to Nief Utara A-2 (NUA-2). NUA-2 is being drilled from the same surface location as NUA-1, as a deviated well and will drill to a final bottom-hole location some 1000 metres SE of the NUA-1 well bottom-hole location.

It is intended that NUA-2 will drill to penetrate the water contact, to assist in reserves evaluation of the Neif Utara A structure.

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

At 10:00 AM on May 19<sup>th</sup> 2008, Neif Utara A-2 spudded.

The well is currently drilling 26 inch hole to a planned depth of 600 feet, at which 18-5/8 inch casing will be set.

### ***Overview***

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 4,000 BOPD, with cumulative production to 31<sup>st</sup> December 2007 of 6,533,631 BO.

Based on the results from NUA-1, IOIP has been upgraded to 42 MMSTBO for the Neif Utara A prospect, with reserves of 12.5 MMSTBO using a 30% recovery factor.

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

LION, through its wholly owned subsidiary Lion International Investment Limited and 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%). Other shareholders are KUFPEC (Indonesia) Limited with 30% and Gulf Petroleum Investment (16.5%).



The block contains the Oseil oilfield which has produced 6,533,631 barrels (to 31<sup>st</sup> Dec 2007) of crude oil since initial field start-up in January 2003.

***NOMENCLATURE:***

bbls	barrels
BO	barrels of oil
BOPD	barrels of oil per day
IOIP	initial oil in place
MMSTBO	million standard barrels of oil
Mscf/BBL	thousand standard cubic feet per barrel
RKB MD	measured depth relative to the rotary kelly bushing (rig floor)
STOOIP	stock tank original oil in place
TD	total depth

All depths quoted are RKB (relative to kelly bushing)

***ENQUIRIES:***

Russell E Brimage  
Telephone: +61 8 9213 4300  
Email: info@lionenergy.com.au