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5<sup>th</sup> February 2007

Company Announcements  
ASX Limited

## **GULF OF MEXICO DRILLING UPDATE WELL OCS-G 27089 #1**

On 8<sup>th</sup> January 2007, Lion Energy Limited announced that well OCS-G 27089 #1 in offshore lease South Marsh Island Block 138 ("SMI 138") in the Gulf of Mexico Outer Continental Shelf waters spudded at 05:30 hours CST on 6<sup>th</sup> January 2007.

***As at 04:00 hours CST the 5<sup>th</sup> February 2007:***

- ***The well is at 3,389 metres TVD (11,118 feet).***
- ***7-5/8 inch casing was run as a liner to 2,937 metres (9,636 feet).***
- ***The primary targets in this well are the 2600ms and the 2800ms sand some 213 metres (700 feet) deeper.***
- ***Drilling is using MWD/LWD, to provide surface real time data on reservoir characteristics.***
- ***What appears to be a poor quality sand was encountered over the interval 3,290 to 3,300 metres TVD (10,796 to 10,830 feet TVD). There is an indication the sand could contain hydrocarbons; however if the reservoir is as poor quality as initial indications, it is unlikely to be commercially productive. Open hole electric logs will be run through this interval after drilling to TD. These logs will provide further data on the reservoir characteristics.***
- ***Pulling out of hole to change drilling bit before continuing to the projected TD of 3,627 metres (11,900 feet).***

***Forward Program***

- Continue drilling 6-1/2 inch hole to approx. 3,627 metres (11,900 feet).***
- Run open hole electric logs over open hole section, to TD.***
- Make decision on completion or plug and abandonment.***

The well is being drilled using the Pride Georgia jackup rig in water depth of 69 metres (225 feet).

Lion Energy Limited is earning a 30% working interest in block SMI 138 by participating in this well.

***Schedule of Working Interests in South Marsh Island Block 138 #1 well***

Lion Energy Limited (ASX Code: LIO)	30.00%
Entek Energy Limited (ASX Code: ETE)	11.25%
GulfX Ltd (ASX Code GLX)	16.25%

Jack Toby  
Company Secretary

CST	United States Central Standard Time
ms	millisecond
MWD/LWD	Measurement while drilling / Logging while drilling.
TD	Total Depth
TVD	True Vertical Depth