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Company Announcements
ASX Limited

SPUDDING OF WELL OCS-G 27089 #1, GULF OF MEXICO

The jack-up drilling rig, Pride Georgia began its tow to location on well OCS-G 27089 #1 in offshore lease South Marsh Island Block 138 ("SMI 138") in the Gulf of Mexico Outer Continental Shelf waters at 11:00 AM on 31st December 2006. The well spudded at 05:30 am on 6th January 2007 and at 3:00 PM on 7th January 2007, the 20" casing was being cemented at 366 metres (1200 feet) measured depth.

Mobilization of the rig was delayed from the anticipated date of 27 December 2006 due to unsuitable weather conditions.

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

This well is targeting multiple Pleistocene age Lentic sands that range in depth from 2,980 metres to 3,600 metres (9800 feet to 11,800 feet). The well planned total depth is 3,627 metres (11,900 feet) and is expected to take approximately 35 days to drill.

The well is targeting an oil resource estimated at between 6 million and 10.1 million barrels of oil or if the reservoir contains gas, between 22.5 and 33.6 BCFG (Note 1).

In July and August, 2005, two wells were drilled in the adjoining Block 139, confirming 3D seismic hydrocarbon indicators. Well OCS-G-21106 B2 ST discovered hydrocarbons at approximately 9,500' TVD and nearly 100' deeper they found additional resources followed by mechanical problems causing them to discontinue drilling. Daily production of oil or gas has been released from the Office of Minerals Management for the month of May 2006. Average daily production rates for the B2 ST were 589 MCFG plus 565 barrels of oil per day. The B1 well produced an average 567 MCFG plus 559 barrels of oil per day during the same period.

Jack Toby
Company Secretary

Note 1 As estimated by Apex Geophysical Services, Inc., an international oil and gas consulting company based in New Orleans, in the state of Louisiana, USA.

BCFG Billion cubic feet of natural gas