

ASX RELEASE

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OPERATIONAL UPDATE – RIDGE RUNNER (RR) 13-17, RR 11-17 AND RR 2-19 WELLS CONTINUE TO ACHIEVE GOOD PROGRESS FROM WORKOVER PROGRAM

Marion Energy Limited (ASX:MAE, MAEO, MAEOA) is pleased to advise that it is continuing to make good progress with the Ridge Runner (RR) 13-17, RR 11-17 and RR 2-19 well workover program at its Clear Creek project. These wells show strong indications of improvement of gas flows as workover operations on the wells continue. Marion owns a 100% Working Interest in this project.

CURRENT STATUS OF RIDGE RUNNER WELLS (RR 13-17, RR 11-17, RR 2-19)

The Ridge Runner ("RR") 13-17 well at Clear creek which is the most advanced of the RR wells undergoing workover operations has recently began to demonstrate clear indications that it is achieving some of the flow rate characteristics that it exhibited prior to climbing swiftly to a production rate of over 1.5 million cubic feet per day when it was originally drilled and tested. Production from the well has recently exhibited intermittent spikes of 500,000 cubic feet plus of gas per day as the well water level is steadily being brought down and the barriers to maximum production levels removed. This is exactly the way that the well performed before taking off and quickly increasing to a steady production rate during testing. It is impossible to state with certainty how much longer it will take for the well to achieve its maximum production rate, but based on current well behavior observed, management is of the view that it will significantly increase and stabilize in the near term.

Once the well reaches its target efficient rate of production, it should make a positive impact on cash flow with operating costs now very low due to the fact that the Company has its own water disposal well and the submersible pump used in the well is driven by an electrical generator powered by gas produced from the well itself. The Company also intends to use its own gas to power operations for all wells at Clear Creek that cannot be tied into the electrical grid. It is the most economic method of producing gas from the wells on the Ridge Runner pads.

Of the other wells that have been recently brought into production, the RR 11-17 (workover commenced in April) and RR 2-19 (workover commenced in late April/early May) wells that were drilled from the same pad as the RR 13-17 are showing indications of good progress and the Company expects similar results from these wells in the near future.

With the three Ridge Runner wells showing clear indications of production increases in the near term, it is confidently expected that our projections for individual wells can be met and that the previously announced cumulative daily production rate of 1 million cubic feet of gas (April 2011) will also significantly increase in time as a result.

Based on production rates achieved during original testing, it is considered that all the RR wells (six in total) should be capable of producing in a range of 1 to 4 million cubic feet of gas per day per well. Historically this target would be in line with the old wells

drilled at Clear Creek. The old wells that have earlier been brought back into production in the current program will take longer to achieve their maximum production numbers as the RR wells are the main focus of current operations at this stage and the old wells will require further work in the future.

OVERVIEW OF WELL WORKOVER PROGRAM TECHNICAL STATUS

It is important is to recognize that whilst operations have proceeded at a rate slower than originally anticipated, the well workover program is clearly producing results in line with outcome expectations. The workover program, as developed in 2010 and announced to the market at the time, anticipated that each well may have to undergo up to four stages of workover operations, which would take a significant time to complete.

The process of putting the wells at Clear Creek on production has varied from well to well as expected. Finding the right configuration for each well takes time. A certain amount of experimentation and changes in pump size and pump configuration have to take place during this process. In addition, management has implemented improved techniques in managing the operations undertaken. Some of this work has necessitated periodical interruption to operations given the logistics of producing several wells from one pad in such a remote location.

Management has also been very mindful of the need to proceed cautiously as the RR wells were drilled, stimulated and completed quite differently from the old wells and therefore require different management of operations to best maximize production and also to assist in providing the knowledge to apply to future operations.

Management is firmly of the view that the program as planned is the right program to successfully bring these wells back onto good production levels and will be proceeding with the rest of the workover program accordingly.

CLEAR CREEK RESERVES (Billion cubic feet - Bcf)

The Clear Creek reserves as independently assessed are:

	Proved	Probable	Possible	Total
Clear Creek	119.5	71.8	18.2	209.5

For further information contact:

Mr Peter Collery
Chief Executive Officer
Ph + 61 3 8862 6466
Email: peter@marionenergy.com.au

Figure 1: Clear Creek wells - Marion has a 100% working interest in the Clear Creek project.

