

15 January 2014

ASX Announcement

Drilling Commenced on Atzam #5 Well

- **Atzam #5 oil well has been spudded - Latin American Resources Harold Lee 500 rig is drilling ahead towards the well's initial reservoir targets**
- **Drilling schedule for Atzam #5 is approximately 40 days on a trouble free basis, to a planned target depth of 4,100 feet**
- **Primary reservoir targets are the C17, C18 and C19 carbonates**
- **Atzam #5 well to target the same carbonate reservoir targets as the Atzam #4 production well - 2.3m barrels of 2P reserves which excludes the C18 and C19 carbonate sections in Atzam #4**
- **Increased Atzam #4 production well flow rate following opening of choke- flow rate increased to 150 bopd immediately following small increase in the choke size (12/64 to 16/64 inch), still with no water production to date**
- **Significant exploration potential on Atzam Oil Field - unexplored salt dome and anticline structures to be evaluated and tested through 2014**

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) is pleased to advise Latin American Resources (Operator) has confirmed the Harold Lee 500 rig commenced drilling operations on the Atzam #5 well at the Company's Atzam Oil Project in Guatemala. The Atzam #5 well was spudded on 14 January local time following a final operational meeting on site with the Operator, Schlumberger and the Ministry of Mines. The well is estimated to be drilled to its target depth of 4,100 feet in 40 days on a trouble free basis. The Operator, Latin American Resources, is managing the drilling program with Schlumberger providing specialist services on the well including the logging and cementing programs.

The Atzam #5 well location is approximately 1km to the south-east of the Atzam #4 production well, with the well located and designed to test the same carbonate reservoir intervals that were intersected and produced oil shows in Atzam #4 and to quickly tie into production on success. The Atzam #4 well alone has a 2P reserve of 2.3m barrels from the independent reserve report by Ralph E Davis as detailed in previous announcements.

Like Atzam #4, the Atzam #5 well will be drilled to a target depth of approximately 4,100 feet and will target the C18 and C19 carbonate reservoirs as the primary objectives, in addition to the current producing C17 carbonate reservoir in the Atzam #4 well. The C18 and 19 carbonates were intersected in Atzam #4 and produced strong oil shows at surface during the drilling of the well but were unable to be flow tested. The drilling and flow testing of the C18 and C19 carbonates are a major objective for the drilling and flow testing program of Atzam #5.



Harold Lee 500 rigged up on the Atzam #5 location

Increased Atzam #4 Production Rate

The Atzam #4 production rate has increased to over 150 bopd (from 110 bopd) whilst maintaining well head pressure in excess of 200 psi following the choke being opened to 16/64 inches earlier this week. The Operator has increased the choke following recent reservoir pressure testing and an independent review of the C17 reservoir production profile to date to establish the optimal flow rate, as outlined in previous Company releases. Significantly, the well continues to produce without any water production to date. The well continues to produce from natural reservoir pressure without the need for a submersible pump to assist flow rates, which is usually required for producing these carbonate reservoirs.

The Operator plans to continue producing the Atzam #4 well on a highly restricted choke in order to maintain the reservoir integrity during this initial production phase. Following the increase in the choke to 16/64 inches this week, the Operator will monitor the production profile at this new setting before opening the choke further. The intention is still to increase the choke over a period of time to establish the optimal production rate for this producing carbonate section. Independent reservoir engineers Ralph Davis have advised that the well could be produced at an optimal production rate of 466 bopd, whilst maintaining the reservoir's structure and integrity.

The Operator estimates that the producing 6 foot C17 carbonate section (2846-2852ft) could produce in excess of 1,000 bopd on an open choke based on the flow rates recorded to date on various choke sizes up to 32/64ths, together with the downhole and well head pressures data from this zone. But this will not be undertaken as it is likely to damage the reservoir and inhibit the zones long term production potential.



For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Brett Mitchell', with a stylized, flowing script.

Brett Mitchell
Executive Director

Competent Person Statement

The information included in this Announcement that relates to resources was prepared by Mr Allen L. Kelley, who is an executive with Ralph E. Davis Associates, Inc. based in Houston, Texas. Mr Kelley has over 30 years of oil and gas experience and is a Certified Petroleum Geologist (Certificate Number 6092). Mr Kelley is a member of the American Association of Petroleum Geologists, Houston Geological Society, and the Society of Petroleum Engineers. In addition Mr Kelley has been a contributing member of the Potential Gas Committee for over 20 years holding positions of Eastern Region Vice President, Chairman of the Gulf Coast and Atlantic Committees and currently is on the Editorial Committee and Chairman of the Alaska Committee. Estimates as to recoverable hydrocarbon volumes contained in this Announcement are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented.