

11 February 2014

ASX Announcement

Atzam #5 - Drilling Update

- **Atzam #5 oil well was spudded on 15 January and is drilling ahead at 952 ft with 17 ½ inch bit**
- **Drilling schedule is ~ 40 days on a trouble free basis, to a planned TD of 4,100 ft**
- **Secondary reservoir targets are expected to be drilled through from ~ 1,700 ft onwards.**
- **Primary reservoir targets are the C17, C18 and C19 carbonates - expected to be drilled through from circa 2,700 ft**
- **Atzam #5 well targeting the same carbonate reservoir targets as the Atzam #4 production well - 2.3m barrels of 2P reserves excluding the Atzam #4 primary C18 and C19 carbonate sections**
- **Atzam #4 production continues at ~150 bopd from C17 carbonate section - following increased choke (16/64ths) 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**) advises that the Atzam #5 well is currently drilling ahead at 952 feet with a 17 ½ inch bit at the Company's Atzam Oil Project in Guatemala. Drilling operations were delayed last week due to the replacement of the rotary drive chain on the Harold Lee 500 rig, which has been installed and the rig is back drilling ahead. The well was spudded on 14 January and has been proceeding cautiously through a complex limestone section which is still being drilled through. Once the rig has drilled through this limestone section and into the first carbonates, intermediate casing will be set to allow the rig to drill ahead towards the target carbonate reservoir sections.

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 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 #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 in approximately 40 days on a trouble free basis. The Atzam #5 well 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 Atzam #5 appraisal program as they could not be flow tested and commercially evaluated as the primary objective in Atzam #4.

Atzam #4 Production and Sales Ongoing

The Atzam #4 production rate has been maintained at approximately 150 bopd following opening the choke to 16/64 inches in mid-January. The Operator is very encouraged by the performance of the reservoir to date and its production rate since increasing the choke. 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 in mid-January, 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.

The Operator estimated that following the initial flow testing program in June/July 2013 this 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.