

28 January 2014

ASX Announcement

Atzam #5- Drilling Ahead On Schedule

- **Atzam #5 oil well was spudded on 15 January and is drilling on schedule, currently at 431 ft**
- **Initial drilling program progressing as planned through shallow, hard limestone section**
- **Drilling schedule is approximately 40 days on a trouble free basis, to a planned TD of 4,100 ft**
- **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) production rate and well head pressure constant after 2 weeks, no water production**
- **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 drilling operations have been proceeding on schedule during the initial drilling phase on the Atzam #5 well at the Company's Atzam Oil Project in Guatemala, which was spudded on 14 January. The well is currently at 431 ft drilling through the shallow, hard limestone section from immediately below the conductor casing, with the drilling program currently progressing on plan. Once the rig has drilled through this shallow limestone section and into carbonates, an intermediate casing string 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.



Rigging up mast on Atzam #5 location

Atzam #4 Production- Continuing 150 BOPD

The Atzam #4 production rate has been maintained at approximately 150 bopd following opening the choke to 16/64 inches in mid January. The well head pressure has stabilised around 200 psi with no water production during this period. The Operator has been 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', written in a cursive style.

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.