

8 January 2014

ASX Announcement

Rig Set Up On Location - Atzam #5 Drilling To Commence

- The Harold Lee 500 rig now set up on the Atzam #5 drill pad, following the recent completion of location site works
- The rig's drilling mast is set in place, with auxiliary equipment now being connected to the rig to enable commencement of drilling operations
- The rig is expected to be drilling ahead towards the initial reservoir targets in 3-4 days
- Drilling schedule for Atzam #5 is 40 days to total depth target of 4,100 feet
- Primary reservoir targets are the C17, C18 and C19 carbonate sections
- 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
- Atzam #4 continues to be produced on a highly restricted choke (12/64 inch) to manage the reservoir integrity, 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 the Harold Lee 500 drill rig is now set up on the Atzam #5 location, following recent delays to completion of the drilling location and site works mainly due to ongoing unseasonal rainfall over the past month. The initial conductor casing has been set down to 120 feet and the Harold Lee 500 rig has been rigged up on location with the drill mast in place as shown below, with auxiliary equipment now being tied in to commence drilling operations. The Operator, Latin American Resources, now expects to be drilling ahead towards the initial reservoir targets in 3-4 days.



Atzam #5 Drill Site- Setting the drill mast on the Harold Lee 500 rig

The well location for Atzam #5 is approximately 1,100m to the south-east of the Atzam #4 production well and the well has been designed to test the same carbonate reservoir intervals that were intersected and produced oil shows in Atzam #4. The Atzam #4 well has a 2P reserve of 2.3m barrels from the independent reserve report by Ralph E Davis.

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 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

Atzam #4- Ongoing Oil Production and Sales through 2013

Production from the Atzam #4 well has continued largely uninterrupted over the past 6 months, with the oil being sold under contract with Perenco Guatemala. The well continues to be produced on a highly restricted choke (12/64 inch) to maintain the reservoir integrity as advised by independent reservoir engineers during its initial production phase, and following a planned maintenance program and pressure recordings in late December production has recommenced at approximately 110-120 barrels of oil per day. The well is maintaining a relatively constant well head pressure of approximately 250-300 psi and significantly still with no water production to date. The well continues to produce from natural reservoir pressure without the need for a submersible pump to assist flow rates.

The Operator has continued to undertake short term oil sales contracts with Perenco Guatemala, with these sales generating pre-tax netbacks of approximately \$55-60 per barrel for the project partners.



Atzam Oil Project Tanker Loading Facility

The Operator is continuing to produce the Atzam #4 well on a highly restricted choke, with plans to increase the choke gradually over the coming months to in order to maintain the reservoir integrity during this initial production phase. The Operator will 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



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.