

20 February 2014

ASX Announcement

Atzam Project Update - Atzam #5 Initial Casing Set, Preparing To Drill Ahead

- **Atzam #5 oil well was successfully drilled down to 1,250 ft over the past week**
- **Intermediate 13 3/8 inch production casing set down to 1,246 ft, cement job completed**
- **Atzam #4 production increased to 170 bopd (18/64ths choke), flowing tubing pressure ~220 psi**
- **Atzam #5 well drill prognosis on track - preparing to drill ahead towards initial carbonate reservoir targets from ~1,700ft**
- **Primary reservoir targets expected from 2,700ft to 4,100ft - C17, C18 and C19 carbonates**
- **Atzam #5 well targeting the same carbonate sections as the Atzam #4 production well - 2.3m barrels of 2P reserves excluding the Atzam #4 primary C18 and C19 carbonate sections**
- **Significant exploration potential on Atzam Oil Field - unexplored salt dome and anticline structures to be evaluated and tested 2014 post Atzam #5**

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) advises that the Atzam #5 well at the Company's Atzam Oil Project in Guatemala continued drilling down to 1,250 ft over the past week and the first intermediate casing string has now been set in the well. The well was drilled to this depth with a 17 ½ inch bit and 13 3/8 inch casing has now been successfully set to 1,242 ft and cemented in place. This was a critical operational phase completed by the Operator due to the complex geology in the initial limestone section recently drilled through.

With the 13 3/8 inch intermediate casing now cemented in place, the rig will shortly commence drilling ahead towards the initial target reservoir sections expected from approximately 1,700ft. The Operator plans to run a second intermediary casing string once the well is drilled down to approximately 3,200 ft, setting the second casing string above the primary C18 and C19 carbonate reservoirs.

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.

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 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 Increased to 170 Bopd

The Atzam #4 production rate has been lifted to approximately 170 bopd following the Operator increasing the choke to 18/64ths (from 16/64ths) as per the planned production schedule previously announced. The Operator is strongly encouraged by the performance of the reservoir to date and the increasing production rate since opening the choke at the well head in mid January. Significantly, the well continues to produce at a flowing well head pressure currently in excess of 200 psi and 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 well production plan is to continue increasing 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 flourish at the end.

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.