

7 April 2014

ASX Announcement

Atzam #5 Drilling Update- Significant Oil Shows From Initial Carbonate Sections

- **Atzam #5 well is drilling ahead at 2,284 feet at the top of the C15 carbonates, with strong oil shows to surface from drilling through the C13 and C14 carbonate sections**
- **Continuous oil staining across shakers and visible oil in dolomite cuttings - background gas shows up to 80% through the C14 carbonates**
- **Well expected to reach top of C18 carbonate section in 7-10 days**
- **Top of C15 carbonate section intersected at 2,230 feet - structure approximately 28 feet low to the Atzam #4 well and 336 feet high to Atzam #2**
- **Atzam #5 well prognosis now confirmed as high on Atzam structure from depths of carbonate units intersected to date**
- **Atzam #2 recorded initial flow rates in excess of 1,000 bopd from the C18/19 carbonates**
- **Primary reservoir targets expected from 2,700 to 4,100 feet - C17, C18 and C19 carbonates**
- **Flow test tanks and separator unit now installed at Atzam #5 wellhead - Operator has ability to immediately test potential commercial producing zones through the drilling program**
- **Atzam #4 well continues to produce at ~170 bopd, flowing tubing pressure steady at +200psi**
- **New reservoir pressure testing data indicates up to 325,000 barrels recoverable oil from current 6 foot producing zone in C17 reservoir**

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) advises the Atzam #5 well at the Company's Atzam Oil Project in Guatemala has drilled through the C13 and C14 carbonate sections which generated significant visible oil shows to surface across the shakers and in dolomite cuttings. Background gas increased to 80% in drilling through the C14 carbonate section, indicating hydrocarbon charged carbonate systems are being intersected on structure by the well.

The Atzam #5 well is currently drilling ahead at 2,284 feet at the top of the C15 carbonate section and is expected to reach the top of the C18 structure in 7-10 days. The well intersected the top of the C15 carbonates at approximately 2,230 feet, indicating the well is approximately 28 feet low to Atzam #4 and 336 feet high to Atzam #2 on structure. This has established the Atzam #5 well, located over 1 km to the south of the Atzam #4 well, to be structurally high to the Atzam #2 well that flowed at over 1,000 bopd from the C18 and C19 carbonate sections. The C18 and C19 carbonates are the primary carbonate targets for the Atzam #5 well.

The Atzam #5 well was recently drilled to 1,246 feet where the Operator (Latin American Resources) set and cemented the first intermediate 13 3/8 inch casing string in the well. This was a critical operational phase successfully completed by the Operator due to the complex limestone geology present down to the top of the carbonate units. The well plan is to drill to the top of the C18 carbonate section and set 9 5/8 inch production casing, then drill ahead to the planned TD of 4,100 feet to open hole test the C18 and C19 primary reservoir targets.



Atzam 5 Cutting Pit - showing oil recovered from drilling initial carbonate units

Following setting the initial casing string at 1,246 feet, the Operator has installed flow testing tanks and a separator unit at the well head to have this equipment in place to be able to immediately test any potentially commercial carbonate zones as the well drills through the target carbonate sections. This will enable the Operator to immediately commence a commercial production testing program if a carbonate zone produces material flows to surface from drilling, and not waiting to test the zone until after the well has been drilled to its planned depth of 4,100 feet and test the deepest carbonate sections first.

Atzam #4 Production Continues At 170 BOPD

The Atzam #4 production well continues to produce between 165 - 170 bopd whilst maintaining a flowing tubing pressure over 200 psi following the Operator increasing the choke to 18/64ths (from 16/64ths) in February. The production performance from this 6 foot perforated section in the C17 reservoir over the past 8 months is very encouraging with production continuing without any associated water to date.

Recent downhole reservoir pressure testing data has confirmed that the strength of the reservoir energy from this producing 6 foot perforated section in the C17 carbonate. The shut in downhole pressure testing recorded in excess of 500 psi, only slightly lower than the virgin reservoir pressure recorded on perforating this section in June 2013. Following the recent testing program, an initial independent report on this 6 foot producing zone has increased the potential recoverable reserves to 325,000 barrels of oil.



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.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Brett Mitchell', is written over a horizontal line.

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.