

## **COMPANY ANNOUNCEMENT**



**21<sup>st</sup> June, 2011**

### **OHAI CSG PILOT OPERATIONS UPDATE**

- LME achieves first in-coal-seam lateral drilling operations in New Zealand
- Initial pressure connection between lateral and production well achieved
- Work-over scheduled to clean-out production well and recompleat nearby wells
- Power connection agreement signed with network company
- 1MW generator being prepared for deployment to project site

L&M Energy Limited (**ASX: LME**) wishes to provide the following update for its Coal Seam Gas (CSG) Pilot Project at Ohai in the South Island of New Zealand (PEP 38220).

In Q2 2011, as part of the Ohai CSG Pilot Project, LME drilled New Zealand's first in-coal seam lateral well culminating in the successful intersection of the 1035m long OM#7 lateral well with the OM#5 production well. A major goal of the Pilot Project was to gain an understanding of the most effective way to complete production wells; therefore OM#5 was immediately placed on production test.

Pressure measurements during drilling of OM#5 indicated that OM#5 and OM#7 were in communication; however subsequent analyses have triggered contingent plans for a clean-out operation. The clean-out (scheduled for next month) is aimed at optimising water flow rates and improving set-up of down-hole equipment, both very common operations in CSG projects.

To take advantage of the availability of a work-over rig the nearby OM#1 and OM#3 wells will be recompleted and converted into production wells. By including these additional wells as part of the Pilot it is expected that this will assist in expediting the dewatering process and promote early gas production.

Preparations are continuing for the installation of a 1MW power station at the project site. The 1MW generator has arrived in country and is undergoing pre-delivery work before being relocated to the project site for commissioning.

In parallel, connection to the existing nearby electricity network is proceeding as planned, with the signing of a connection agreement with the local electricity network company and finalisation of site preparation plans.

The pilot project follows on from the company's 3P reserves upgrade to 274 PJ and forms a key part of the Company's 2P gas reserves campaign which is aimed at independently certifying New Zealand's first tranche of 2P CSG reserves.

### **ENDS**

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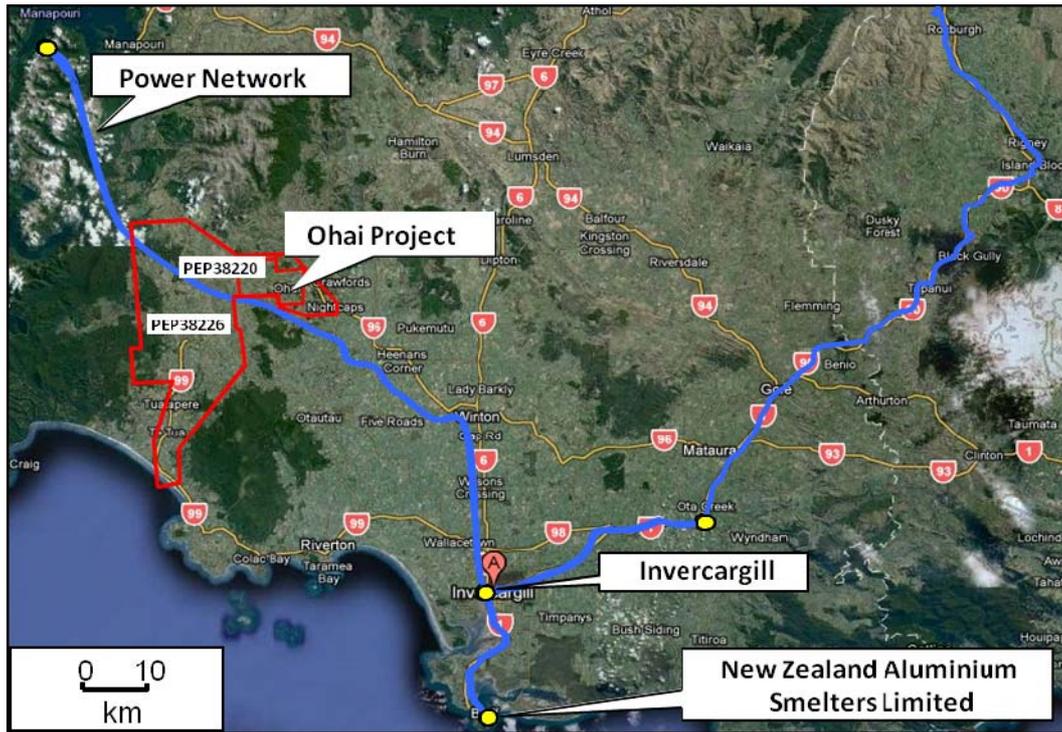
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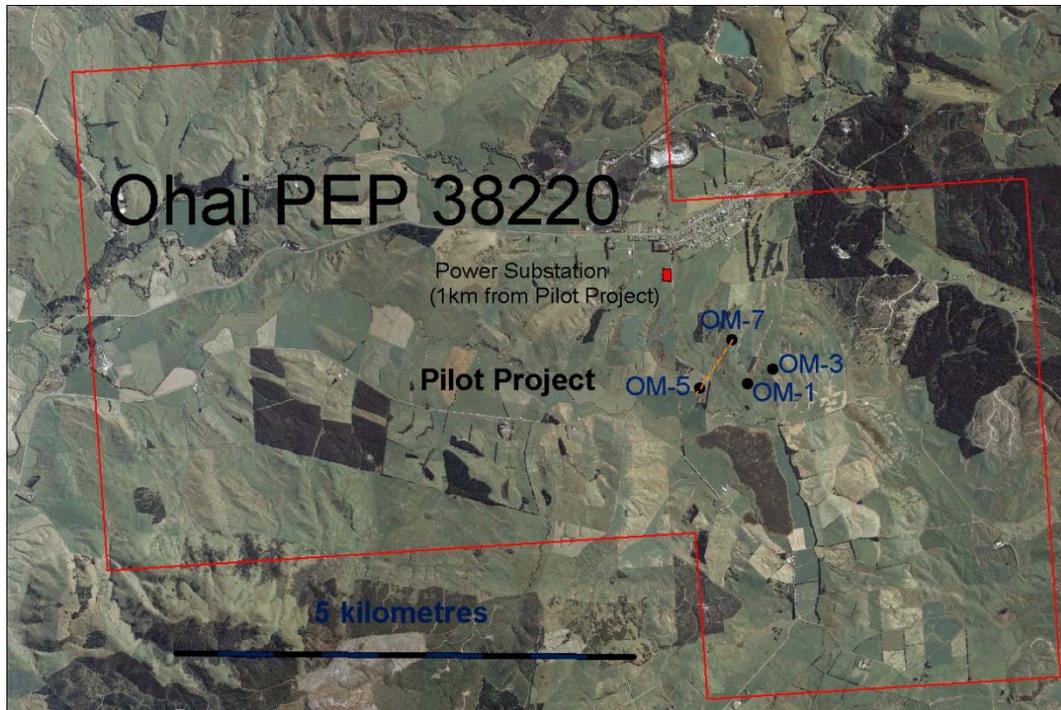
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#### **About L&M Energy Limited**

L&M Energy Limited is a New Zealand based company dual listed on the ASX and NZX stock exchanges focused on the development of commercial coal seam gas resources and discovering major conventional oil and gas resources. The Company holds equity interests in a number of exploration permits.



Location of PEP 38220 in relation to Invercargill and major energy user New Zealand Aluminium Smelters Limited



Location of Pilot Project within PEP 38220