

22 November 2013

ASX Announcement

Commencement of Atzam #5 Drilling Operations

- Construction of the Atzam #5 drilling location has been completed and the well conductor casing is now set down to 100 feet
- The Harold Lee 500 drilling rig is being mobilized to location and will be drilling ahead towards initial reservoir targets in next few 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 reservoirs as Atzam #4 production well - 2.3m barrels of 2P reserves which excludes the C18 and C19 carbonates
- Atzam #4 production continues on a highly restricted choke (12/64 inch), with no water production to date
- Significant exploration potential on Atzam Oil Field - unexplored salt dome and anticline structures to be evaluated and tested in 2014

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) is pleased to advise that drilling operations have commenced on the Atzam #5 well, with the construction of the drilling location completed and the initial conductor casing set down to 100 feet. Latin American Resources' (Operator) Harold Lee 500 drilling rig is being mobilised to site and is expected to be drilling ahead towards the initial reservoir targets in the coming days. 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.

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 producing C17 carbonate zone 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. This will be a major objective for the planned flow testing program for Atzam #5.



LAR Operations Team at the Atzam #4 Well Head

Atzam #4- Oil Production and Sales Continue

Production from the Atzam #4 well has continued over the past month 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, and following a short shut in for well head maintenance production has recommenced at approximately 120 barrels of oil per day. The well is maintaining a relatively constant well head pressure of approximately 300 psi 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.

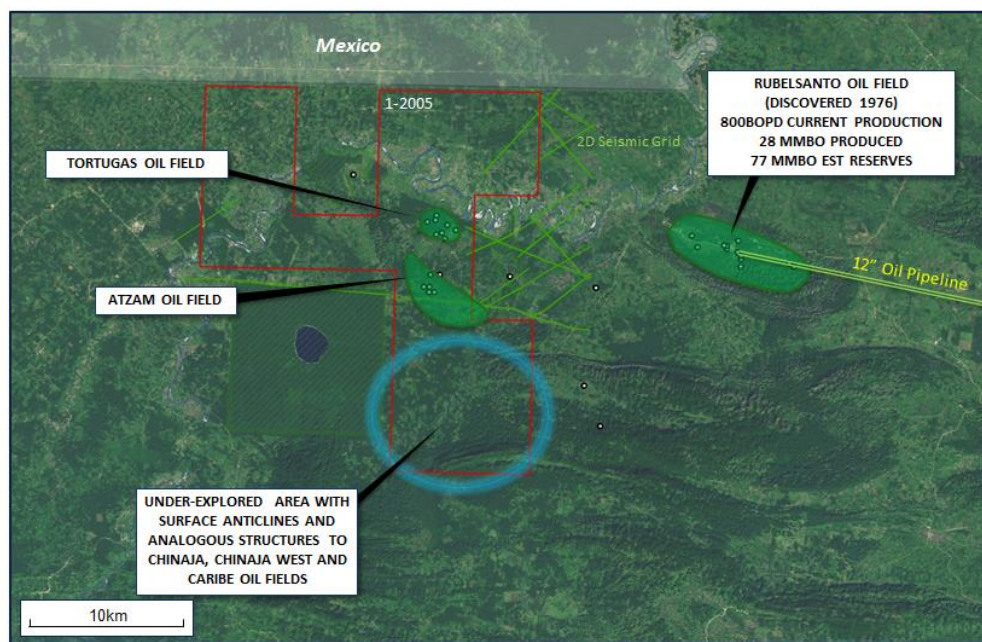
The Operator completed a new oil sales contract this week with the sale and delivery of a further 1,100 barrels of oil to Perenco Guatemala, on the same terms as the first oil sales as previously advised. These sales will generate pre-tax netbacks of approximately \$60 per barrel for the project partners.



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 recommended that the well 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.



Atzam and Tortugas Project Locations and Exploration 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.