

8 September 2014

ASX Announcement

Atzam Project Update- Production Flow Testing To Commence on C18 Interval

Key Points

- **Flow testing commencing on perforated upper C18 section – to evaluate commercial flow rates following acid wash**
- **Key Atzam #5 target carbonate sections still remain untested - C13, C14 and C17 intervals**
- **The C17 section that remains untested is the producing reservoir unit in the Atzam #4 well**
- **Atzam #4 daily production continues at approximately 170 barrels per day from natural reservoir energy, with nil water production**
- **Discussions significantly advanced with strategic finance partners to provide cornerstone funding for the future planned work programs on the Atzam and Tortugas Oil Fields**
- **Operator estimate ~200 feet of potential net pay across all carbonate sections drilled in Atzam #5 from Schlumberger log analysis**
- **Atzam #5 well successfully drilled to 4,025 feet (cased to 3,600 feet), high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet)**

Atzam #5 Well –Testing Operations Continue

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) confirms that flow testing operations are due to recommence on the perforated upper C18 carbonate section of the Atzam #5 well. As previously advised, the Operator undertook testing operations on the C18 interval in Atzam #5 with 4 individual zones of interest being perforated which resulted in oil and reservoir water being produced, but not at the commercial rates to put the well immediately into production. As a result, the Operator has undertaken detailed evaluation on the likely benefit of an acid wash and stimulation program on the most prospective of these perforated C18 carbonate sections to try and establish a commercial flow rate.

Due to the volume of fluids being flowed from the initial testing program on these C18 carbonates, the rig was moved to work over the non-producing Atzam #2 well so that it could be used as a water disposal well for reservoir water produced as a result of an extended testing or production testing program. The rig has now been moved back to the Atzam 5 location to recommence testing operations on these previously perforated intervals in the C18 carbonate section.

If these flow testing operations on the upper C18 carbonates is unable to sustain oil production at a strong commercial flow rate, the testing program will move up to the C17 section which is the producing reservoir unit in the Atzam #4 well.

The Schlumberger logs analysis, combined with the significant oil shows from multiple zones whilst drilling, detail the commercial potential in the well from the C13 carbonates down to the C18 carbonate structures delineated in the Atzam #5 well. All these potential commercial pay zones will be perforated and tested as part of this ongoing program, until a zone produces at material commercial rates. On success such a zone would then be put on production, like the C17 producing zone in Atzam #4 that continues to produce under natural reservoir pressure at approximately 170 bopd.

Atzam #5 drilling success indicates upside potential

The Atzam #5 well being drilled close to the structural high of the Atzam Oil Field was confirmed through the intersected depths of primary reservoir sections in drilling operations. On completion of the Atzam #5 well at its TD is running approximately 66 feet high on structure to the Atzam #4 well and approximately 320 feet high to the Atzam #2 well. The Atzam #4 well was previously expected to be sitting on the crest



of the Atzam structure and the Atzam #2 well recorded initial flow rates of in excess of 1,000 bopd from the primary C18/19 carbonate sections.

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.