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Manager Announcements
Company Announcements Office
Australian Securities Exchange
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SYDNEY NSW 2000

Triple Crown Prospect Texas

Drilling Completed - Well achieves all objectives intersecting over 2300 feet of gas

The Board of Challenger Energy Ltd ("Previously Sunset Energy Limited") is pleased to advise that the drilling of the first well on the Triple Crown Prospect has been completed.

The well has achieved all of our objectives and significantly exceeded our expectations intersecting a gross gas column of over 2300 feet.

In commenting on the well, Paul Bilston the Managing Director of CEL said:

"To have intersected a gas column of over 2300 feet in this well is a fantastic result and well beyond pre drill expectations. The Ellenburger has a long history of production from horizontal completions in the region and a 1300 feet gas column confirms we have intersected a very large gas charged structure" he went on to say "In addition to the Ellenburger, we are particularly excited by the potential for the Canyon Sands and the new Unconventional Gas play both of which look to have company making potential".

As of 8 am this morning, the well had reached TD at a depth of 7431 ft, drilling was terminated when the well intersected a water column. Based on the observation of trip and connection gas during drilling, the well encountered over 1,300 ft of gas charged rock in the Ellenburger formation. The key objective for this well in the Ellenburger was to confirm the presence of gas in this reservoir, and this has been successfully achieved. Gas shows in excess of 7% were observed when the bit was being tripped out of the well at the completion of drilling.

The Ellenburger is a tight sucrosic to micro crystalline dolomite , which relies on the well intersecting sets of near vertical fracture swarms to provide the primary production pathway from the reservoir to the well bore. At this stage, it does not appear that this well intersected any fracture swarms, which is not uncommon when drilling a vertical well. The presence, nature and number of fracture swarms will be determined with wireline and image tools which will be carried out over the next few days.

In recent times, the optimal method of producing from the Ellenburger has generally been with horizontal wells, as the number of different vertical fracture swarms that are intersected is maximized. In fields immediately to the north of the Triple Crown Prospect, wells that were

Address Level 17, 500 Collins Street, Melbourne, VIC, 3000

Tel + 61 3 9614 0600 **Fax** +61 3 9614 0550

Email admin@sunsetenergy.com.au

Web www.sunsetenergy.com.au

ACN 123 591 382

initially drilled vertically with limited gas production have been successfully recompleted as horizontal wells with excellent results. Large scale fracture stimulations have also been successful in connecting these fracture swarms.

Whilst this well does not appear to have intersected any fracture swarms, the Board remain positive about the potential of this reservoir as the well has provided evidence of the presence of a gas column in excess of 1300 feet in the structure, and the presence of open fracture swarms has been observed in other wells on this structure, thus providing confidence horizontal wells or possibly fracture stimulation will yield productive wells.

The next phase for evaluation of the Ellenburger is to run and interpret the wireline and image logs to allow the merits of a horizontal well from the existing casing (which already runs to the top of the Ellenburger) to be evaluated. Discussions have also been held with Halliburton who are positive on the potential for successful fracture stimulation of the Ellenburger in this structure based on the analysis of previous well logs.

A further announcement will be provided early next week once logging operations have been completed.

Yours faithfully,

For and on behalf of Challenger Energy Limited



Paul Bilston
Managing Director