



18 January, 2011

Manager Announcements  
Company Announcements Office  
Australian Securities Exchange  
10th Floor, 20 Bond Street  
SYDNEY NSW 2000

## **Triple Crown Prospect Texas**

### **Petrophysical Analysis Indicates Multiple Zones of interest in Canyon Sands**

The Board of Challenger Energy Ltd ("Previously Sunset Energy Limited") is pleased to announce that results from preliminary petrophysical analysis have been received.

In the main part of the Lower Canyon Sands from 4530 ft to 5685 ft, which returned high gas shows during drilling, petrophysics has confirmed high gas saturations throughout the section. It has also revealed a sequence of interspersed conventional and unconventional opportunities which analysis of the sidewall cores will help to understand.

In the shallow Canyon Sands above 3000 feet there are several zones where water saturation and log porosity are at or near the cut off for conventional production, however, the pressure in these shallow zones is anticipated to be low.

Previous picks of the top of the Ellenburger dolomite had proved false and the top was finally intersected at 6020 ft. The Ellenburger is a tight sucrosic to micro crystalline dolomite and cuttings from drilling are dry suggesting that it is gas charged. As at 6 am this morning the well was at 6533 ft and drilling ahead to intersect a fracture swarm. It is anticipated that the Ellenburger will be between 1800 – 2000 ft thick.

Commenting on this the Managing Director Paul Bilston said:

*'Log interpretation and petrophysical analysis of the well has so far has confirmed gas charged sands in the Canyon Sands and a new unconventional play in the Lower Canyon Sequence. Further refinement of the details will await results from the side wall coring programme, however I am very pleased by what I have seen so far.'*

*The results from this well already provide enough confidence to warrant suspending the well for further testing in these zones. The exact nature of the testing programme will only be decided on after further analysis as the potential pay zones are complex with an intimate association of conventional and unconventional reservoir in the same interval.'*

As of 6 am this morning the well was at 6533 feet drilling ahead with air in dolomite of the Ellenburger Formation. Future activities are to drill to TD, run wireline logs and suspend the well for future testing.

Further updates will be provided in due course.

Yours faithfully,

For and on behalf of Challenger Energy Limited

A handwritten signature in blue ink, appearing to read "Paul Bilston", with a stylized flourish at the end.

**Paul Bilston**  
**Managing Director**