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Manager Announcements
Company Announcements Office
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Triple Crown – Testing Program to Commence

- **Testing program expected to commence next month**
- **Short HZ sidetrack to test the Ellenburger Formation – OGIP 1.6 TCF**
- **Followed by a large “Slick Water Frac” on selected Hybrid Interval – OGIP 7.4 TCF**
- **Land Acquisition program ongoing and progressing well**

The Board of Challenger Energy Ltd (“Challenger”) is pleased to announce that it has made good progress in a number of areas regarding the further appraisal and development of its exciting Triple Crown Project in Texas. The initial testing program has been finalised and is on track to commence next month.

ELLENBURGER

The Triple Crown well encountered over 1,300 ft of gas charged rock in the Ellenburger Formation with *Original Gas In Place (OGIP) in the Ellenburger assessed at 1.6 TCF*. The Ellenburger is a conventional dolomite play which relies on the well intersecting sets of near vertical fracture swarms. In recent times, the optimal method of producing from the Ellenburger in this region has generally been with horizontal wells, as the number of different vertical fracture swarms that are intersected is maximized.

The company has recently had a review of the Formation Image Log completed by a specialist consultant based in Midland (Texas). Based on this review and other discussions with operators active in the Ellenburger in this region, the Company has decided to prioritise the testing of the Ellenburger in the existing Triple Crown well.

Testing will involve a side track out of the existing well bore and a short horizontal lateral into the zone at top of the Ellenburger. The sidetrack will be drilled from a window milled into the existing casing at ~5,300 ft, building angle to enter the target zone horizontally at the top of the Ellenburger 500 ft from the existing well bore. The initial target for the side track will be a zone at approximately 5,800 ft where a significant volume of fluid was lost into the formation during the initial drilling of this well. The company is targeting this zone as the conventional logs show porosity and a “gas effect” and the Image Log shows significant fracturing.

Other operators in the region have suggested that a successful completion in this zone could yield 4-5 BCF per well. The Triple Crown Ellenburger structure extends over ~ 25,000 acres, which may provide for in excess of 150 well locations in the event this testing program is successful.

HYBRID PLAY

As previously advised, Challenger intends to complete a fracture stimulation on a selected interval as a proof of concept test of the Hybrid Play. The Company has identified an Original Gas In Place (OGIP) within the Hybrid of 7.4 TCF within its existing lease position.

As a result of the decision to drill a sidetrack into the Ellenburger which will prevent testing in the bottom part of the well, Challenger has selected a zone at approximately 5200 ft to fracture stimulate and test. The zone will be fracture stimulated by a large "Slick Water Frac" consistent with the stimulation design currently utilized in other unconventional plays. The objective of this test is to understand the production characteristics of this zone and provide valuable inputs into understanding the potential recoverable resource.

This fracture stimulation will immediately follow the Ellenburger Formation HZ testing programme.

TIMEFRAME

The company is currently seeking bids for the different services, and intends to mobilize to site as soon as a suitable rig becomes available. At this stage it anticipates that the testing program will commence in July.

LAND

Challenger has had Land Agents on the ground over the past few months, and has made good progress in discussions and finalising lease agreements with mineral owners in its target areas. The Company will update the market in the coming weeks when key leases are finalised.

Further updates will be provided in due course.

Yours faithfully,

For and on behalf of Challenger Energy Limited



Paul Bilston
Managing Director