



22<sup>nd</sup> September 2011

## **ASX release**

### **Operations Update**

- ***Rig scheduled for Mercury Stetson re-entry – Early November***
- ***Rig expected move to location at Triple Crown within 14 days.***

22 September 2011: Challenger Energy Ltd ("Challenger") is pleased the following update on its operations.

#### **Stetson Mercury.**

Following discussions with the JV partners and local contractors, an initial work program on the Mercury Stetson Prospect has been finalised. The proposed work program is to attempt to re-enter and clean out the existing well bore washing to the bottom of both the Barnett and Woodford shales at approximately 11,400 ft. This will be followed by running a modern log suite, and if hole conditions allow taking selective side wall cores across the shale sections. Following logging, a 5 ½" casing string will then be run to bottom and cemented into place ahead of a fracture stimulation and testing program. An application has been made with the operator of the local pipeline network to commence the design of a pipeline tap (located approximately 800 metres from the well) to allow connection of the well to the pipeline system.

Challenger Energy has secured a large work-over rig from Nabors Industries for this program. This rig has been scheduled to move on location in early November, subject to finalising the appropriate paperwork with the Texas Rail Road Commission to allow the re-entry of the existing well bore.

This well which was drilled in 1978 intersected 415 ft of Barnett and 180 ft of Woodford shale, with Geochemical data confirming properties similar to the shales in the core areas of the Fort Worth Basin (Barnett) and Arkoma Basin (Woodford.)

As previously advised, the JV partners have a four man leasing team on the ground in the prospect area, and have been continuing to successfully renew and extend leases over the past two months. The partners have agreed to add two additional Landmen to the work effort when they become available. The aim of this leasing exercise is to ensure the longest possible term exists on all leases in the prospect area ahead of planned drilling and testing operations.

Challenger Energy has agreed to farm in to earn 50% of the Mercury Stetson Prospect which includes the Barnett and Woodford shales - both proven shale formations. The

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

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

**Email**[admin@challengerenergy.com.au](mailto:admin@challengerenergy.com.au)

**Web**[www.challengerenergy.com.au](http://www.challengerenergy.com.au)

**ACN**123 591 382

prospect which is potentially up to 55,000 acres (86 sq miles) has a massive potential gas in place with OGIP estimated at 360 BCF/sq mile. The JV area initially includes 26,000 acres contiguous land position with three pipelines across prospect with an initial target of 35,000 acres across the prospect.

### **Triple Crown.**

Challenger Energy has been advised that the Pioneer Well Services rig scheduled to carry out the activities at Triple Crown is expected to begin mobilisation to site within the next 14 days.

A small crew is mobilising to site this week to change out the well head, set rig anchors and run a Cement Bond Log (CBL) ahead of the rig mobilisation.

The planned testing program includes a sidetrack from the existing wellbore to test the Ellenburger Formation (OGIP of 1.6 TCF) and secondly a hydraulic fracture stimulation of one of the intervals in the "Hybrid Zone" that demonstrated high (8-10%) mud log gas shows during drilling. This Hybrid Zone has been calculated to have an OGIP of 7.4 TCF.

For further information please contact:

Mr Paul Bilston  
Managing Director  
P: 0402 060 405

#### **About Challenger**

Challenger Energy Limited is a public company listed on the Australian Stock Exchange (ASX:CEL) with a growing portfolio of exciting Oil and Gas exploration opportunities in South Africa and the USA.

Challenger's strategy is to utilise its network of global contacts to identify and acquire material upstream oil and gas exploration opportunities at a low entry cost which enables it to focus its exploration expenditure on drilling wells and other direct expenditure.

Challenger is targeting opportunities where it can act as operator, and which have significant scale and materiality (more than 1 TCF of gas or 10 Million bbl of Oil). The scale of these opportunities provides potentially significant upside for the company.

## Forward Looking Statements

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.