



30 April 2012

ASX release

Operations Update – Mercury Stetson

- ***Flow back operations continuing***
- ***Some gas shows***

30 April 2012: Challenger Energy Ltd ("Challenger") is pleased to announce that the flow back of the well post fracture stimulation on the Woodford is continuing.

As of 6am on Monday 30 April approximately 55% of the pumped water volume has been produced back to surface, and the liquid flow rate is slowly decreasing with approximately 500 BBL of fluid (22,000 gallons) of fluid produced in the last 24 hrs.

On Thursday (25 April) a service rig was mobilised to site and 2 3/8" Tubing has been set in the well fitted with Gas Lift Valves. A nitrogen unit is being utilised to lift the fluid up the tubing out of the well and assist flow back operation. Signs of gas have been observed coming from the well, and once the fluid rate from the well reduces, Challenger anticipates it will be able to commence production testing to establish a gas flow rate.

As previously advised the company expects the initial flow testing of the Woodford to take between 2-4 weeks to complete.

At the conclusion of this testing, a bridge plug will be set above the Woodford Shale, and a similar stimulation and testing completed on the Barnett Shale. Log analysis indicates that the Barnett Shale interval in the well contains 450 net feet of richly organic, porous and, brittle shale with characteristics equivalent to the productive zones in the Fort Worth Basin to the West. The company is evaluating the option of a two stage fracture stimulation in the Barnett given the thickness and attractive properties identified in the shale.

Prospect Overview.

The Mercury Stetson Prospect contains two of the premier shale formations in the US – the Woodford and Barnett shales – in geological extensions of the core producing areas in the Arkoma and Fort Worth Basins.

The key well on the Mercury Stetson Prospect was drilled in 1978 before the development of any of the shale gas plays in the US. It identified that both shales present in the well had the same log signatures, geochemical characteristics and thicknesses as those found in the core producing areas of both the Barnett and Woodford shales.

Based on the technical information available from this well, the two shales are estimated to contain in excess of 360 BCF/sq mile of gas in place. Interpretation of the current seismic data suggests that the prospect area is ~ 55,000 acres (85 sq miles).

The core objective of the testing program is to demonstrate that gas can be delivered to surface from both the Barnett and Woodford shales in the prospect area. This is the critical piece of information that will underpin the validity of the massive gas in place and commercial potential of the prospect area.

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 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.

Further updates will be provided in due course.



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.