

17 April 2013

ASX Announcement

## Atzam Oil Project- Operations Update

- **Electrical submersible pump (ESP) successfully installed and assisting clean-up operations on perforated Lower C17/Upper C18 carbonates**
- **Unexpected high natural gas production from perforated sections**
- **Gas production impacting on ESP performance and oil flow rates**
- **Initial oil production up to 50 bbls per day with reduced ESP capacity**
- **Operator reviewing options to separate gas production from ESP to optimize flow rates**
- **Atzam #4 well independent estimates Probable Reserves of 2.3m barrels of oil - providing significant upgrade potential to the existing 2.3m bbl P1 and P2 reserve estimate on the Atzam Oil Field**
- **Upper C18 carbonates displayed impressive log results with permeability averaging 300 md and porosity averaging 17% – Rubelsanto Field (+30mmbbl produced) is 100md and 3-6% porosity**
- **Key reservoir units from logs still to be evaluated- C13 and C14 carbonate sections remain behind pipe and untested**

Flow testing operations on the Atzam #4 well recommenced on the perforated Lower C17 and the Upper C18 carbonates following the successful installation of an electrical submersible pump. The ESP was installed downhole to assist with the removal of perforation and reservoir fluids and to establish a stabilised oil flow rate from these perforated zones. Latin American Resources (Operator) has confirmed that the ESP was fully operational following commissioning, although the flow rates over the past week have been impacted by an unexpected and significant inflow of natural gas from the perforated reservoir sections.

The Operator believes the gas production is the result of Atzam #4 being drilled high on the structure compared to the previous wells, with the well currently producing the gas cap on these perforated sections. This associated gas production from the reservoir is adversely impacting the operational capacity of the ESP. The Operator and Schlumberger are currently working on a solution to divert the gas from the ESP through the installation of a gas separator which should optimise the operation of the ESP and the flow rates achieved. The solution may also include running new perforations and acid washing over this section of the reservoir.

The Atzam #4 well was drilled using a heavy mud weight (10.5 lb/gallon) due to the faulting and complex geology in this region. This combined with the high permeability of these carbonates meant the Operator has had to undertake significant acid wash operations to break down the residual drilling mud in the carbonates to establish a clear oil cut and flow rate from these zones.

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### **Highly Prospective C13 and C14 Carbonates Still To Be Tested**

The Atzam #4 well produced very encouraging, and unexpectedly strong, oil shows during the drilling of the well through the C13 and C14 carbonates, which was complemented by higher than expected permeability and porosity results from the electric logs. This has established these reservoir sections, the main producing zones in the nearby Rubelsanto Field, as the most likely appraisal targets to be tested in the upcoming Atzam #5 appraisal well if they are not tested in the current Atzam #4 well.

Both Latin American Resources and Schlumberger are highly encouraged by the logging results seen in the C13 and 14 carbonates and their potential to be a new commercially productive zone in the Atzam Field to the primary C18 and C19 carbonates sections.

The Rubelsanto Field has produced over 30 mmbbl to date from 8 wells and is located only 17km to the north east of the Atzam Field, along a structural fault offset.

### **2.3m Barrel Probable Reserve Estimate for Atzam #4 Well**

Ralph E Davis and Associates (RED) were commissioned to undertake an independent reserves report based on the results of the logging and the analytical work completed by Schlumberger on the Atzam #4 well. The report concluded that upon reviewing Schlumberger's detailed petrophysical work there is up to 20 material oil shows in the Atzam #4 well, with 8 zones recommended by RED to be tested for commerciality.

The report concludes the Atzam #4 well has a Probable Reserves estimate of 2.3m bbls using a 30% recoverability factor and a 160 acre drainage area as set in the table below, which excludes several deeper zones in the lower C-18 and C-19 which were not evaluated due to lack of detailed well log data due to the well bore washout encountered whilst drilling:

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### Gross Oil Volumes, Barrels

	RF 25%	RF 30%
C-13A	421,174	505,409
C-13 B	202,198	242,637
C-14A	79,988	95,985
C-14 B	278,715	334,458
C-16	157,925	189,509
C-17	453,143	543,772
C-18A	201,401	241,681
C-18B	132,757	159,308
	<b>1,927,301</b>	<b>2,312,759</b>

The report used production and well data from analogous wells in the area to compare to the petrophysical results recorded in the Atzam #4 well. Although the Lower C18 and C19 zones were not included, as these zones were washed out while drilling and the logging tool could not be used through this interval, RED believe that there should be hydrocarbons present and the Lower C-18 and C-19 should be tested in the next well scheduled to be drilled on the project.

The reserves estimates in the report conform to the definition of probable reserves approved by the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS) document as co-sponsored by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

#### Atzam and Tortugas Fields

The primary producing formations on the Atzam structure are the C-18 through C-19 formations. The Atzam #2 well had initial flow rates of 1,200 BOPD of 34°API oil which led to new well designs for the Atzam #4 well. The second well, Atzam #5, will spud following completion of a successful flow testing program on the Atzam #4 well.

Recent mapping of the Atzam structure using existing data from previous operators (Basic, Hispanoil) and MEM, and incorporating reservoir data acquired since production initiated in December 2007, indicate the possibility of a structure of comparable size and orientation to that of the existing Rubelsanto field in Guatemala. To date, the Rubelsanto field has produced +30 MMBBL of oil since its discovery in 1976. The field currently continues to produce +1,000 BOPD, 36 years after its discovery.

In addition to the Atzam structures on Block 1-2005, the Tortugas structure is a suspended oil field. Originally 17 wells on Tortugas salt dome were drilled by Monsanto looking for sulphur. One well (T9B) had an oil blowout at approx. 1,500 ft and most others had oil shows in multiple zones.

*For and on behalf of the Board*

#### Competent Person Statement

*The information included in this Announcement that relates to resources was prepared by Mr Allen L. Kelley, who is an executive with Ralph E. Davis Associates, Inc. based in Houston, Texas. Mr Kelley has over 30 years of oil and gas experience and is a Certified Petroleum Geologist (Certificate Number 6092). Mr Kelley is a member of the American Association of Petroleum Geologists, Houston Geological Society, and the Society of Petroleum Engineers. In addition Mr Kelley has been a contributing member of the Potential Gas Committee for over 20 years holding positions of Eastern Region Vice President, Chairman of the Gulf Coast and Atlantic Committees and currently is on the Editorial Committee and Chairman of the Alaska Committee. Estimates as to recoverable hydrocarbon volumes contained in this Announcement are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented.*

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