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RELEASE TO ASX and TSXV

## **Solimar commences operations at Kreyenhagen Field Heavy Oil Project**

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Solimar Energy (ASX:SGY, TSXV:SXS) ("The Company" or "Solimar") is pleased to announce that pursuant to the May 7<sup>th</sup> press release, operations have commenced on the Company's Kreyenhagen Project area in the San Joaquin Basin, California.

- **Phase I of the agreement has started which consists of the Farminee funding up to a \$2 million USD cap, the drilling of up to four appraisal and development wells, the fracking of two wells and the compilation of a reservoir model, plus a \$500,000 USD cash payment to earn 15% working interest (WI) in the 1,720 acre heavy oil project area.**
- **Anticipated Timing for Phase I:**

**May - Select well locations, design new wells, select and schedule drilling rig, prepare drilling programs and AFEs.**

**June - Confirm drilling rig, programs and AFEs, apply for permits, send out bids, sign contracts with vendors, start pad construction work, build initial Petrel static geologic model.**

**July - Finish pad construction work, start drilling and evaluation program.**

**End Q3 2013 - Finish drilling program, obtain produced oil and water samples from new wells, conduct analysis of wire line logs, core, build and run cases in thermal simulation model.**

**End Q4 2013 - Following integration and analyses of Phase I results, joint decision with Solimar and Partner to enter Phase II.**

Will Satterfield, CEO of Solimar, commented *"We are pleased to report the successful start of the field operations in the Kreyenhagen Heavy Oil Project and look forward to continue working with our joint venture partner as we move into the appraisal and development drilling phase during the next few months."*

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### **Kreyenhagen Field Operational Update**

As previously reported, the Company has signed a definitive Farmout Agreement with a well financed Canadian TSXV listed company for an appraisal and development joint venture over a 1,720 acre area encompassing the Kreyenhagen Field and trend acreage (see map below). The Farminee provides funding for the appraisal and development of the Kreyenhagen Field as well as Canadian reservoir engineering expertise. Solimar retains majority ownership and operatorship throughout the program.

Phase I consists of the Farminee funding up to a \$2 million USD cap, the drilling and coring of up to four wells, the fracking of two wells and the compilation of a reservoir model over the shallow Temblor Sandstone heavy oil reservoir, plus a \$500,000 USD cash payment to earn a 15% working interest (WI) in the heavy oil project area. It is anticipated that drilling will commence in July 2013 following final determination of locations and well plans, site preparation, and contracting for services. As the drilling is within the Kreyenhagen Field Administrative Boundary, field rules and permitting are previously defined and requires minimal processing time.

During May, the drilling engineer, road/location contractor, surveyor, well site drilling supervisor and Solimar staff met in the field to plan for operations. The two pre-existing well pads with surface conductors near the steam pilot area were inspected for the upcoming drilling program. The pads are in good shape with only minor grading and mud pit work required. The team also selected the surface location for the southeastern appraisal well to minimize pad building costs. The surveyors took coordinates on all well locations. Bids for well pad and road construction work are in progress.

Once the final well locations are determined, Solimar will finalize the drilling programs and AFEs following collaborative review with our joint venture partner in early June. Applicable drilling permits from the DOGGR (California Department of Oil, Gas and Geothermal Resources) will then be submitted. The DOGGR permit process is expected to take 10 business days. Solimar is currently reviewing options to secure a drilling rig and anticipates finalizing a drilling contract in June in preparation for a July drilling program.

Solimar is planning to build a geologic model framework during June using the current wells, prior to drilling, to aid in the well planning and drilling. Following drilling, the new well information (core and wire line data) will be added to the model, and the prior model framework will be updated to allow efficient populating of the model with rock properties and fluid saturations to use as input to the thermal simulation model.

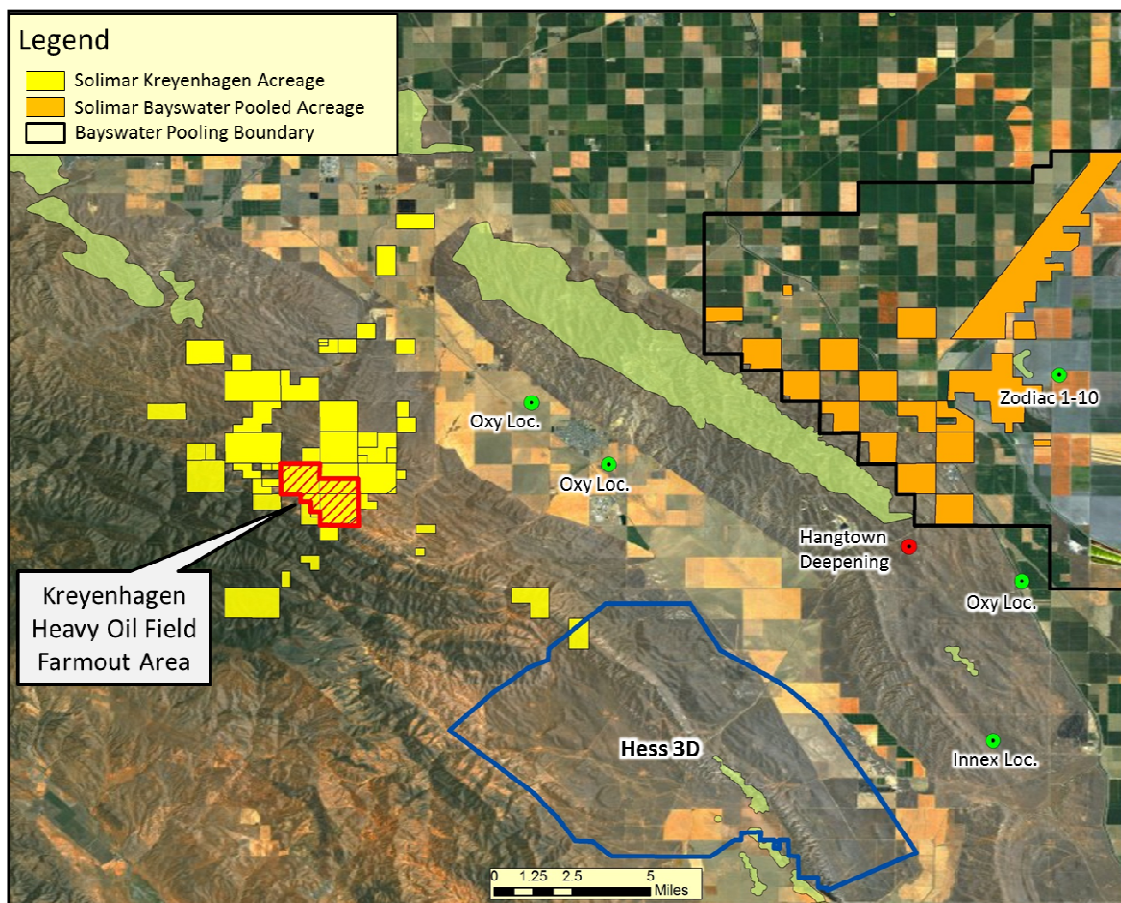
Phase I drilling information from core and wire line logs will provide empirical data to further delineate the lateral and vertical distribution of the shallow Temblor sandstone reservoir properties. This data will be incorporated with current field subsurface data to create a static and dynamic reservoir model to simulate primary and enhanced steam recovery mechanisms, well designs, well completions and well placement. Phase I will likely conclude by end Q4 2013. Solimar and the Farminee will have an option to enter into Phase II, following completion and review of the Phase I results.

Phase II will consist of the Farminee funding up to a \$3 million USD cap, a steam enhanced recovery pilot program and thermal modeling in the project area plus a \$1,000,000 USD cash payment to earn an additional 25% working interest (WI) in the heavy oil leases and 12% working interest (WI) interest in the Kreyenhagen Shale oil acreage.

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### KREYENHAGEN AREA ACTIVITY & SOLIMAR ACREAGE

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

## Reader Advisory: Potential resource estimates and forward-looking statements

This news release contains forward-looking information relating to adding to reserves and resource estimates, planned development and exploration activities on the properties in which the Company has interests, and other statements that are not historical facts. Such forward-looking information is subject to important risks, uncertainties and assumptions. The results or events predicated in this forward-looking information may differ materially from actual results or events. As a result, you are cautioned not to place undue reliance on this forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the impact of increasing competition; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what is currently expected. These factors include risks associated with instability of the economic environments in which the Company operates or owns interests, oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, reliance on key personnel, regulatory risks and delays, including risks relating to the acquisition of necessary licenses and permits, environmental risks and insurance risks.

The estimates of resources in this news release constitute forward-looking information which is subject to certain risks and uncertainties, including those associated with the drilling and completion of future wells, limited available geological data and uncertainties regarding the actual production characteristics of, and recovery efficiencies associated with, the reservoirs, all of which are being assumed. As estimates, there is no guarantee that the estimated reserves or resources will be recovered or produced. Actual reserves and resources may be greater than or less than the estimates provided in this presentation.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

## Resource Definitions

This discussion has been excerpted from Sections 5.2 and 5.3 of the Canadian Oil and Gas Evaluation Handbook, Second Edition, September 1, 2007. The following definitions relate to the subdivisions in the SPE-PRMS resources classification framework and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

*Production* is the cumulative quantity of petroleum that has been recovered at a given date.

*Reserves* are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

*Contingent Resources* are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

### **Classification of Resources**

When evaluating resources, in particular, contingent and prospective resources, the following mutually exclusive categories are recommended:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P90 confidence level.
- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean).
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P10 confidence level.

**Company Gross Contingent Resources** are the Company's working interest share of the contingent resources, before deduction of any royalties.

**Company Net Contingent Resources** are the gross contingent resources of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.