



ABN 45 066 383 971

8 January 2016

PAGES (including this page): 3

ASX Market Announcements
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Naga Selatan-2 Well Spuds

Attached please find Cue Energy Resources Limited's release with respect to the above mentioned.

Yours faithfully

Andrew M Knox
Chief Financial Officer

CUE ENERGY OVERVIEW

Cue is an Australian based oil & gas company with activities in Australia, New Zealand, Indonesia and the USA.

THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration program

CUE ENERGY DIRECTORS

- Paul Foley (Chairman)
- Stuart Brown
- Peter Hazledine
- Koh Ban Heng
- Brian Smith

CUE ENERGY MANAGEMENT

- David Biggs (CEO)
- Andrew Knox (CFO)
- Jeffrey Schrull (Exp Man)

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ADR/OTC: CUEYY

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Naga Selatan-2 Well Spuds

Cue Energy Resources Limited (ASX: CUE) is pleased to advise that the Naga Selatan-2 (NS-2) well was spudded on 7 January 2016. NS-2 is an onshore exploration well, located within the Mahakam Hilir PSC (Cue 100% and Operator) in the Kutai Basin, East Kalimantan, Indonesia. The well is being drilled to a depth of 2240 feet Measured Depth (MD) and is scheduled to take 15 days.

The NS-2 well has been designed to test the Naga Selatan-2 Prospect on the proven Pelarang Anticline, which is an elongated, 100 kilometre long, NNE-SSW structure containing existing oil and gas fields.

The Naga Selatan-2 Prospect is one section of a very large 4-way dip closed feature. The trapping mechanism is expected to be a combination of stratigraphic and structural components. This model is well known throughout the basin and is the basis for numerous oil and gas fields such as those on the Sanga-Sanga Anticline immediately to the East. Success at NS-2 would provide considerable potential upside for further drilling along the Pelarang Anticline within the Mahakam Hilir PSC.

The NS-2 well will test the Mentawir Formation and the underlying Upper Pulau Balang Formation. The expected reservoirs are deltaic channels and sand bars of the Mahakam Delta which are predominantly oriented east-west, perpendicular to the axis of the anticline. Naga Selatan-1 (2012), 2.6 km NNE of the NS-2 location, was drilled off-structure into near-vertical beds, yet still encountered good oil shows that were not tested.

The expected hydrocarbon charge is oil and in a success case, production could likely be brought on stream quickly due to the close proximity of existing oil and gas processing facilities.

Cue CEO David Biggs commented, "*Naga Selatan-2 is the first exploration well to be drilled by Cue as operator and a major step in the development of the company. We are excited by the potential of the Naga Selatan-2 Prospect and the upside along the whole anticline within the Mahakam Hilir PSC.*"

During the construction and mobilisation period, we have demonstrated our ability to safely operate in this location, and our aim is to drill a successful well safely."

The Mahakam Hilir PSC is operated by Cue Kalimantan Pte Ltd.

Any queries regarding the announcement should be directed to the Company on +613 8610 4000 or email at mail@cuenrg.com.au.

A handwritten signature in black ink, appearing to read "David Biggs".

David A.J. Biggs
Chief Executive Officer

8 January 2016

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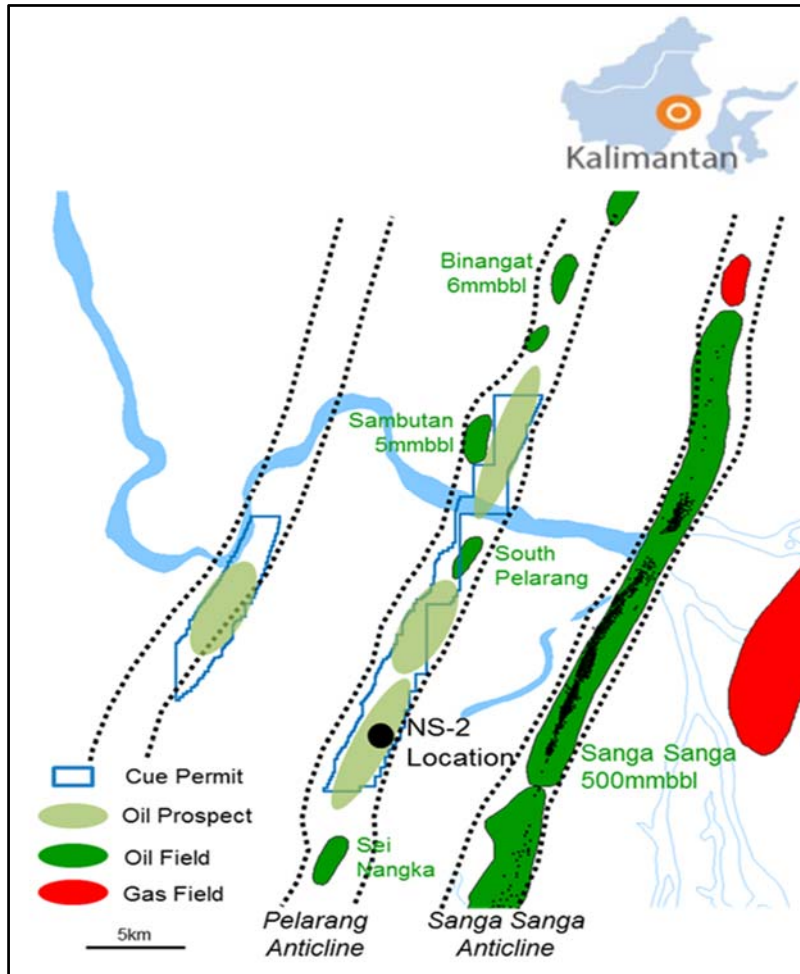


Figure 1: Mahakam Hilir PSC and Naga Selatan-2 well location