



5th December 2011

ASX release

Operations Update

5 December 2011: Challenger Energy Ltd ("Challenger") provides the following update on its operations in the US.

Mercury Stetson.

The operations remain on track to complete a successful re-entry into the old well.

Unfortunately a combination of the Thanksgiving holiday, poor weather and a number of operational issues have meant that these activities have progressed much slower than anticipated, with limited progress in the past 10 days.

The key issue encountered, is that it appears that during the attempt to run 7" casing into the 9 5/8" casing, the casing tagged the top of the 9 5/8", but as it is smaller than the 8 5/8" drill bit previously used, it was then able to slip down the outside of the casing into the space between the casing and the open hole. After running down a further 277 ft, the casing got stuck and could not progress any further.

The rig is currently in the final stages of recovering the 7" casing, and will run into the hole with an eccentric head on bottom of casing to allow it to be lined up with the open hole, in addition the float collar will not be placed on the bottom of the casing, which will allow a tool to be run to confirm that the new casing is in fact inside the 9 5/8".

Once it has been confirmed that the 7" casing is inside the 9 5/8", the next phase of operations will involve running and cementing the balance of the 7" casing, setting it above the reservoir zones at approximately 10,000'. Following this, the plan is to drill through the CIBP and circulate and clean out the open hole section down to 12,300' and then log the two shale intervals. The final step is to cement a 4 1/2" casing over this section ahead of the planned stimulation program. In the absence of any further significant issues, these activities are expected to be completed within the next 10 – 14 days. The stimulation program will not be scheduled until all of the current phase of activities has been completed.

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.

Triple Crown

Given the delays at Mercury Stetson and that operation team are expected to be on site for the next few weeks, the company has decided to delay any activities at Triple Crown until the new year when the activities at Mercury Stetson are completed.

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.