



4 June 2012

ASX release

Barnett Production Testing Completed

- ***Production testing completed***
- ***Gas production from the Barnett demonstrated in the area***
- ***Well continued slugging gas and frac water impacting gas rate***

4 June 2012: Challenger Energy Ltd ("Challenger") has completed production testing of the Barnett formation in the Mercury Stetson prospect. The presence of gas and the ability to show a continuous production from the formation has been demonstrated conclusively.

The well has continued to slug both gas and frac water, and whilst initial average gas rates were quite favourable, in recent days the total rate has reduced as the well is loading up with frac water resulting in ongoing slugging impeding gas production.

Mr Lee Mathews, the engineer supervising the test has advised that he does not expect the gas rate to increase without the installation of artificial lift to assist in removing water. It is uncertain what the final rate would be if this work was undertaken.

As a result Challenger has ceased current operations on the well, and will suspend the well in accordance with Texas RRC requirements ahead of a decision on future operations.

Challenger is encouraged by a number of elements of the results to date. Challenger will review the results of both the testing and logs and incorporate these into the geological model for the prospect.

The different in depths between the formations in the original well bore and the side track of up to 500 ft across a lateral distance of only 700 ft provide a clear indication of geological complexity in the area surrounding this well bore. It is likely this tectonic complexity has impacted on the production rate.

Whilst Challenger does not currently have 3D seismic in the location of the wellbore, it has seen high quality 3D seismic across the prospect area, approximately 1.5 miles to the South West which is much less complex with minimal geological activity, so it does not expect the complexity encountered in this well bore to be pervasive across the prospect area.

Further updates will be provided in due course.



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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.