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ASX RELEASE

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OPERATIONS/PROJECT UPDATE

The Board of Directors of Marion Energy Limited (ASX: MAE and MAEO) is pleased to present the following drilling summary and operations update of its Utah and Oklahoma projects, as of mid December 2006.

Marion Energy Current Drilling Summary

Well Name	Field	Status
Cordingly Canyon 15-2	Helper	Testing
Cordingly Canyon 15-5	Helper	Completing
Cordingly Canyon 10-1	Helper	Awaiting Completion
Cordingly Canyon 11-1	Helper	Testing
Cordingly Canyon 15-3	Helper	Drilling in Progress
Ridge Runner 11-20	Clear Creek	Tying into production
Ridge Runner 2-19	Clear Creek	Awaiting Completion
Ridge Runner 11-17	Clear Creek	Completion in progress
ASD 3-17	Clear Creek	Drilling in progress

Further announcements will be made by the Company as the testing and productions operations continue.

Projects Update

Clear Creek Project – UTAH (Marion Working Interest: 92.5%)

- The Ridge Runner 11-17 is currently being perforated. Testing is expected to commence shortly.
- After finalizing completing and testing of the Ridge Runner 11-17, the rig will move on to complete and test the Ridge Runner 2-19.
- Drilling operations are ongoing at the ASD 3-17. This rig will drill the ASD 6-17 well from the same drilling pad.
- The Ridge Runner 11-20 is being tied into production facilities and a production rate will be established at that time.

Pipeline tie-ins have been completed to allow the above wells to be connected to the gathering system once completion and testing is completed.

Drilling is planned to continue through the northern winter period in the lower elevations at Clear Creek.

Helper Project – UTAH (Marion Working Interests: 48.75% to 59.375%)

- The Company is running intermediate casing at the Cordingly Canyon 15-3. Following this operation, the rig will commence drilling into the Ferron reservoir.
- Once this rig has finished operations at the Cordingly Canyon 15-3, it will move on and drill a salt water disposal well at the Helper project which will be utilized for both our Clear Creek and Helper projects.
- The first Mancos shale well, the Cordingly Canyon 15-5 has been fracture stimulated. The frac fluid is currently being recovered from the formation and once this is accomplished, testing operations will commence.

The gas-charged Mancos shale is the target of significant gas development activities elsewhere in Utah and Colorado. The Mancos shale horizon exhibited excellent gas shows in all the wells drilled to date in the Helper project. This play has the potential to add significantly to the natural gas resource in the Helper Project.

- Cordingly Canyon 10-1: completion will commence when the results of the fracture stimulation of the Cordingly Canyon 15-5 have been established
- Cordingly Canyon 15-2 : currently being tested
- Cordingly Canyon 11-1: currently being tested

Jester-Bloomington – OKLAHOMA (Marion Working Interests: 33.33% to 66.66%)

Marion has finalized the acquisition of approximately 16,000 gross acres in the North Bloomington and Willow Fields in Greer and Beckham counties, adjacent to its existing Jester-Bloomington project in Oklahoma.

There are 53 existing wells on the acreage, most of which require remediation and/or are shut-in. The producing wells have a combined current net production rate of 200 mcf/day. The Company has moved a completion rig into the field to clean out and remediate the first ten wells that it plans to work-over.

The acquisition includes compression facilities and 70 miles of pipeline and gathering system on both the existing acreage and the newly acquired acreage with a six inch line tie-in to the interstate pipeline. This gives the Company direct and immediate access to the natural gas market.

The acquisition price is US$1.9 million in total, with approximately $1.1 million net to Marion. The Company will have a 66.66% working interest in most of the acquired assets. The transaction will be financed from existing resources.

The Company has also increased its acreage position in the existing portion of this burgeoning play in the Jester Bloomington area to approximately 9,000 gross acres (Marion 33 1/3% interest) and is continuing to add to this position. The Company's total gross position in the project now totals 25,000 acres, with approximately 12,000 acres net to Marion.

Marion Energy Limited is aggressively pursuing a low risk strategy to increase reserves and production of conventional and non-conventional natural gas in the onshore USA. The company plans to develop low cost reserves by exploiting mature reserves and finding new reserves in existing producing areas. Favourable industry fundamentals, advances in drilling, completion and fracture stimulation techniques, coupled with ready access to infrastructure have allowed the company to pursue several attractive investment opportunities. The company currently has in its portfolio an inventory of over three years of drilling opportunities, which if successful could create a substantial reserve base.

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