# Serinus Energy Inc.: Brunei: Lukut Updip-1 Well Flows Gas at Non-Commercial Rates

18.10.2013 | Marketwired

CALGARY, ALBERTA--(Marketwired - Oct 18, 2013) - Serinus Energy Inc. (TSX:SEN) ("**Serinus**", "**SEN**" or the "**Company**"), an international upstream oil and gas exploration and production company, advises that the Lukut Updip-1 ("**LKU-1**") well in Brunei Block L flowed gas continuously from two separate intervals that have not previously been penetrated by any wells onshore Brunei. While the rates were estimated at less than 50 thousand cubic feet per day ("**Mcf/d**"), the discovery of hydrocarbons within these zones indicates that further analysis and appraisal will be required to evaluate the resource potential of this play.

**Test 1 (2,131 - 2,137 metres)**

The LKU-1 well encountered a drilling break and a significant influx of gas with a total gas reading of 47% whilst drilling 6" hole starting at a depth of approximately 2,131 metres measured depth ("**MD**") (1,773 metres true vertical depth subsea ("**TVD**")) and continuing to a depth of at 2,137 metres MD, the last 3 metres of which is interpreted to be clean sand. $C_1$ gas readings peaked at 332,000 parts per million ("**ppm**") and $C_5$ gas readings peaked at 628 ppm at TD. Pressures rose significantly and there was material gas influx with total gas readings increasing to 47% which resulted in gas being flared at surface for several hours. The mud weight was subsequently increased to 17.7 pounds per gallon (**"ppg**") to control the calculated formation pressure of 5,366 pounds per square inch ("**psi**"). Due to the significantly higher than expected formation pressures and equipment limitations, the Company determined that it could no longer safely continue to drill the LKU-1 well and, consequently, a cement plug was put in place from 2,120 to the total MD of 2,137 metres and 4.5" casing was set to a depth of 2,120 metres. The initial planned depth for the LKU-1 well was 2,959 metres MD and 2,410 metres TVD.

The first zone to be tested was the bottom 6 metres of the well from 2,131 to 2,137 metres MD over which the cement plug had been placed. Gas flowed continuously at a low rate during the test. The formation is believed to have been damaged by heavy drilling fluid, mud system additives and cement during the drilling process as the drilling team worked to control the high pressures encountered. Attempts to clean up the perforated interval by utilizing an acid treatment were not successful.

**Test 2 (1,980 - 2,120 metres)**

During the drilling operation a general trend of increasing silt and/or sand content was observed from a depth of approximately 1,890 metres and continuing to 2,137 metres (a total thickness of 247 metres). The sandy/silty shale encountered over this section appears to be hydrocarbon charged, with $C_1$ to $C_5$ total gas readings increasing from a 10 metre average of 0.49% at 1,700 metres MD to a 10 metre average of 8.1% at 2,110 metres MD. $C_1$ gas readings steadily increased from a 10 metre average of 3,150 ppm at 1,700 metres MD to a 10 metre average of 58,000 ppm at 2,110 metres MD. Based upon the increased pressures and associated hydrocarbon shows, the thick silty shale zone was selected as the second zone to be tested.

A total of 60 metres was selectively perforated between the depths of 1,980 metres and 2,120 metres. Gas was flared at surface throughout the test but the well did not produce at commercial rates. The entire section tested in the second test, which was open during the well control efforts, is believed to have also been damaged by drilling fluid and mud additives.

The section of the LKU-1 well below approximately 1,100 metres MD has not previously been penetrated by any wells in onshore Brunei. The drilling break at 2,131 metres MD is interpreted to correspond to the top of a zone defined by seismic (the "**Green Zone**") that was a secondary target of the well. The deeper primary target of the well (the "**Red Zone**"), which the Company expected to encounter at 2,402 metres MD, has not been penetrated. The Green Zone, the transition zone above the Green Zone (Test 2) and the Red Zone are all interpreted to be facies associated with turbiditic sandstone deposition which are likely to extend over a large area. The Company believes that the tested formations may be capable of producing at commercial rates, and that further analysis, evaluation and appraisal will be required to fully assess the prospectivity and productivity of this new play**.**

Jock Graham, Chief Operating Officer of Serinus indicated that "*while the well did not reach the primary target and the secondary targets appear to have been damaged, the presence of sandstone reservoirs within an interpreted deep water shale package suggests that the geological model of turbiditic sandstone deposition is correct. In addition to the presence of reservoir sands, LKU-1 also demonstrated both pressure and the presence of hydrocarbons, suggesting that the elements required for a successful pool may be present within this prospect.*"

Tim Elliott, the President and Chief Executive Officer of Serinus says: "*we are very disappointed that we were unable to reach our main target with this well and similarly that our secondary target, while a discovery, did not flow gas at commercial rates particularly given the very high pressures encountered while drilling. The Company will review the test results to determine if the zones tested might respond well to hydraulic fracture stimulation. In the meantime, the initial Lukut Updip well is being suspended pending further evaluation and the drilling rig will move to the Luba well location to drill the second well in the 2013 Block L drilling program.*"

Serinus has a 90% interest in Block L with indirect wholly-owned subsidiary Kulczyk Oil Brunei Limited having a 40% interest and indirect wholly-owned subsidiary AED South East Asia Limited (operator) having a 50% interest. The remaining 10% interest is owned by a private Brunei company at arm's length to Serinus.

*About Serinus Energy*

*Serinus is an international upstream oil and gas exploration and production company with a diversified portfolio of projects in Ukraine, Brunei, Tunisia, Romania and Syria and with a risk profile ranging from exploration in Brunei, Romania and Syria to production and development in Ukraine and Tunisia. The common shares of the Company trade under trading symbol "SEN" on both the WSE and the TSX.*

*In Ukraine, Serinus owns an effective 70% interest in KUB-Gas LLC. The assets of KUB-Gas LLC consist of 100% interests in five licences near to the City of Lugansk in the northeast part of Ukraine. Four of the licences are gas producing.*

*In Tunisia, Serinus owns a 100% working interest in the Chouech Es Saida, Ech Chouech, Sanrhar and Zinnia concessions, and a 45% working interest in the Sabria concession. Four of the concessions are currently producing oil or gas.*

*In Brunei, Serinus owns a 90% working interest in a production sharing agreement which gives the Company the right to explore for and produce oil and natural gas from Block L, a 1,123 square kilometre area covering onshore and offshore areas in northern Brunei.*

*In Romania, Serinus owns an undivided 60% working interest in the onshore Satu Mare concession, a 2,949 square kilometre exploration and development block, in north western Romania.*

*In Syria, Serinus holds a participating interest of 50% in the Syria Block 9 production sharing contract which provides the right to explore for and, upon the satisfaction of certain conditions, to produce oil and gas from Block 9, a 10,032 square kilometre area in northwest Syria. The Company has an agreement to assign a 5% ownership interest to a third party subject to the approval of Syrian authorities. Serinus declared force majeure, with respect to its operations in Syria, in July 2012.*

*The main shareholder of the Company is Kulczyk Investments S.A., an international investment house founded by Polish businessman Dr. Jan Kulczyk.*

***Translation: This news release has been translated into Polish from the English original.***

***Forward-looking Statements: This release may contain forward-looking statements made as of the date of this announcement with respect to future activities of the Company or any of its subsidiaries and related to its interest in Brunei Block L and to certain wells drilled or to be drilled or seismic activities undertaken within that area that either are not or may not be historical facts. Although the Company believes that its expectations reflected in the forward-looking statements are reasonable as of the date hereof, any potential results suggested by such statements involve risk and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Various factors that could impair or prevent the Company from completing the expected activities on its projects include that the Company's projects experience technical and mechanical problems, there are changes in product prices, failure to obtain regulatory approvals, the state of the national or international monetary, oil and gas, financial, political and economic markets in the jurisdictions where the Company operates and other risks not anticipated by the Company or disclosed in the Company's published material. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties and actual results may vary materially from those expressed in the forward-looking statement. The Company undertakes no obligation to revise or update any forward-looking statements in this announcement to reflect events or circumstances after the date of this announcement, unless required by law.***

| | | |
|---|---|---|
| Suite 1170, 700-4th Avenue SW, Calgary, Alberta, Canada<br>Telephone: +1-403-264-8877 | Al Shafar Investment Building, Suite 123, Shaikh Zayed Road, Dubai, UAE<br>Telephone: +971-4-339-5212 | Nowogrodzka 18/29<br>00-511 Warsaw, Poland<br>Telephone: +48 (22) 414 21 00 |

## Contact

Serinus Energy Inc. - Canada
Norman W. Holton
Vice Chairman
+1 403 264 8877
nholton@serinusenergy.com
Serinus Energy Inc. - Poland
Jakub J. Korczak
Vice President Investor Relations & Managing Director CEE
+48 22 414 21 00
jkorczak@serinusenergy.com
www.serinusenergy.com