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RELEASE TO ASX AND CANADA

## **Solimar Energy – Paloma deep discovery (California) test program update**

Solimar Energy Limited (ASX: SGY; TSXV: SXS) (“Solimar” or the “Company”) is pleased to provide this update of the testing program for its Paloma Deep ST/2 well in the San Joaquin Valley of California. Solimar holds a 25% working interest in the well which is operated by Neon Energy Limited (the “Operator”) the holder of the remaining interest. The Paloma Deep ST/2 well was spudded on September 22, 2011, reached a total depth of 13,320 feet measured depth (“ft md”) on November 24, 2011, and a 4.5 inch production liner has been run. The well encountered close to prediction a series of reservoirs with extensive potential hydrocarbon pay. A multi-zone test program is in preparation and expected to commence within the next two weeks. Although yet to be finalized, Solimar expects this program to test five separate reservoir zones, of a total of eight indicated in the well. Testing these five zones alone would access potential hydrocarbon pay totaling over 300 feet. The test program will commence with the deepest potential pay zone in the Fruitvale Shale unit of the Monterey Formation and will then progressively test up the hole.

Mr. John Begg, CEO of Solimar, commented *“We are pleased to be participating in a comprehensive testing program for this well, which encountered extensive potential hydrocarbon pay zones within conventional sandstone and unconventional oil shale reservoirs. There are multiple opportunities for commercial production in this well that require flow testing in order to determine the commerciality of the discovery. The conventional, relatively low permeability hydrocarbon saturated sandstones encountered in this well are similar to those that have proved productive elsewhere in the Paloma Field anticline and in nearby producing oil fields. The unconventional hydrocarbon saturated shale reservoirs encountered in the well offer very promising potential, as these reservoirs are also similar to those that have proved productive in adjacent fields, mostly operated by large multinational oil producers. In the case of these unconventional reservoirs, mechanical fracturing (fracking) or acid stimulation may be required to open up the rocks to flow and assess the reserves potential. It is an exciting time for the Company as preparations also advance to test the significant oil resources in its 100% owned Kreyenhagen oil project. This project, which involves redevelopment of an existing shallow oil field was the subject of a recently released third party evaluation that assessed potential oil resources net to the Company’s working interest in the order of 50-100 million barrels of oil in place\*, contained in both conventional and unconventional reservoirs.”*

\* Refer to Solimar’s release of November 22, 2011

## Paloma Deep ST/2 Well Results

- The Paloma Deep ST/2 spudded on September 22, 2011 and reached a total measured depth of 13,320 feet on November 24, 2011. A 7" casing has been run to 10,663 feet and a 4.5" production liner hung at 10,600' depth and run to total depth. The large Nabors rig #710 has been released from the location.

- Altogether, there are some eight zones in the well in which the cuttings (or mudlog) and wire line logs indicate that hydrocarbon saturations are present. These hydrocarbon zones were encountered close to pre-drill predictions and with one exception are in rock units within the Monterey Formation which is the principal oil source and reservoir rock in the southern part of the San Joaquin Basin. From deepest (oldest) to shallowest the potential pay zones are within the Fruitvale Shale, the Lower Stevens Sandstone, the Antelope Shale, and the Paloma Sandstone. A shallow sandstone within the Tulare Formation is interpreted to have gas pay.

### Preliminary test interval selection

<b>Reservoir Zone</b>	<b>Preliminary test intervals (ft md)</b>
Tulare Sand	2,860' - 2,875'
Paloma Sand	10,075' - 10,250'
Antelope Shale (upper unit)	11,780' - 11,870'
Lower Stevens (upper sand)	12,260' - 12,310'
Lower Stevens (lower sand)	12,730' - 12,920'
Fruitvale Shale	12,990' - 13,320'

\* The Paloma Sand is the main historic producing interval of the 133 MMBOE Paloma oil and gas field and may be partially depleted at this location.

### Paloma Deep ST/2 Testing Program Timing

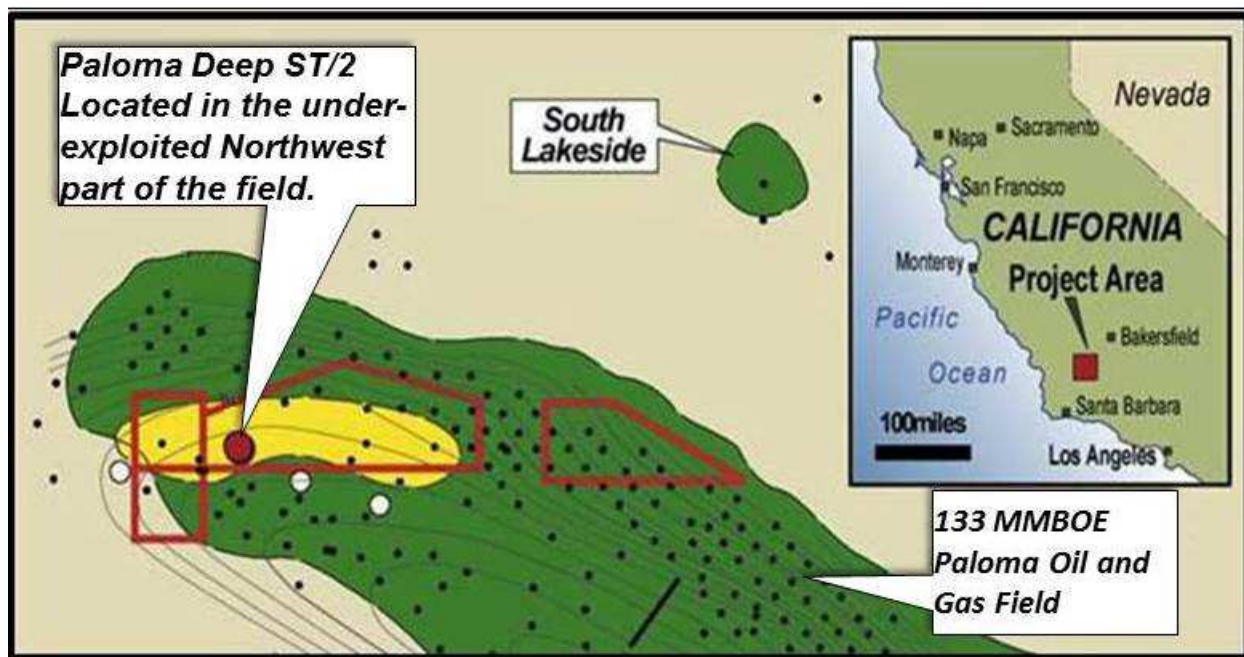
Details of the testing program are still being determined, however within the next two weeks the joint venture plans to commence testing a minimum of five reservoirs within the well, which include the conventional and unconventional reservoirs that display the best reservoir quality based on open hole logs and oil and gas shows while drilling. The testing of individual reservoirs will initially be conducted unstimulated, but may be further expanded to additional phases if artificial stimulation (such as acidizing) is required. This is particularly the case for the shale reservoirs for which stimulation of fracture networks is often necessary to achieve commercial rates of flow. The total number of tests may be influenced by the results in previously tested zones.

The Operator will be mobilizing a workover rig to site for the testing program which will commence with the Fruitvale Shale interval, one of several unconventional reservoirs that may be tested in the well.

### Forward Plans

Should any of the tests prove commercially successful, the joint venture plans to place the well on extended production to assess the longer term deliverability of the reservoir. In the meantime, the Operator has commenced the permitting of multiple appraisal locations for follow up drilling based on a commercially successful test in any of the reservoirs.

Further updates will be provided as future testing milestones are reached.



Participants in the Paloma project are:

Neon Energy (Operator)	75%
<b>Solimar Energy</b>	<b>25%*</b>

\*Solimar is participating with a 25% interest and pursuant to the terms of an earlier farmout agreement, is paying a promoted share of the dry hole costs up to an agreed cost cap.

Sincerely,

John Begg  
**Chief Executive Officer**  
 Solimar Energy Limited

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COMPETENT PERSONS STATEMENT: The information in this report has been reviewed by John Begg BSc. who is a petroleum geologist with over 30 years of relevant experience within the oil and gas sector.

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