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ASX: TTE

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## QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2012

### HIGHLIGHTS:

- **Multi-well recompletion program at Allen Dome achieves significant oil production increases**
- **Multi-well exploration program at Allen Dome underway**
- **Approval received for extension to North Perth Basin permit DR11**
- **Preparations advanced to drill two wells in DR11**
- **Preparations continue for proposed well in North Perth Basin permit EP455 (TTE: 18.5%)**

Titan Energy Limited (ASX: TTE) ("Titan" or "the Company") is pleased to provide this report on its operations during the three month period ending 31 December 2012.

The commencement of a multi-well workover program at the Allen Dome Salt Dome project in Texas and discussions with the Western Australian Government regarding drilling planning for the DR11 permit dominated the Company's activities in this quarter – and pleasingly the Company has been able to report some very positive results in both areas.

### ACTIVITY REVIEW - USA

#### TEXAS

##### Allen Dome

Subsequent to the end of the quarter, Titan Energy was pleased to announce that it had been successful in increasing production at the Allen Dome field from 12 bopd (barrels of oil per day) to approximately 100 bopd through a multi-well remedial operation. The Allen Dome North field produced 2,094 barrels of oil for the Quarter.

This was a significant achievement in that it not only enabled the Company to establish a valuable cash flow stream, it highlighted that the Company was on the right strategy path in building a growing asset position at Allen Dome and that Titan Energy's US team has the management and technical skills to successfully achieve those strategic aims.

During the quarter, Titan Energy successfully re-entered the historic Reese #5 well on the northern flank of Allen Dome and carried out clean-up procedures and completion with a gravel pack screen and liner. The Company has strategically reduced the Reese #5 to a steady 36 bofd (barrels of fluid per day) (approximately 50% water cut) and remains on a 10/64<sup>th</sup> adjustable choke to prevent the well from coning (increased water production). The well continues to be monitored and the choke may be increased gradually for an increased flow rate.

Titan Energy was also able to successfully re-enter the Reese #2a well where it also carried out clean-up procedures and completion with a gravel pack screen and liner. It also uncovered mechanical problems with existing equipment. This was quickly rectified allowing the well to currently flow at a sustained rate of approximately 75 bopd on a 10/64<sup>th</sup> positive choke and without the assistance of a pump.

The Company also investigated the potential to produce additional oil through a recompletion of the Reese #4c well with that well plugged-back to a shallower zone. The well has been suspended for further evaluation, in particular the sand at 1,400 feet which appears to be consistent around the Dome.

Titan Energy continues to review the potential re-completion of the historic Reese #3a and Reese #6a wells where potential mechanical issues were identified, but which may be quickly rectified if the Company assesses there is shareholder value in doing so.

Further, Titan replaced tank batteries, separator system and flow lines in the field to prevent oil spillage and maximize flow rates with increased capacity. Additional oil storage capacity may be added at a later date with minor interruption.

Titan Energy's US Operations Manager has negotiated for the Company to be paid for its crude output at US\$7 below the Brent crude price (Brent is currently at US\$112).

Subsequent to the end of the quarter, Titan Energy spudded its first exploration well at Allen Dome.

The Reese #10 well drilled by contractor Rotary Exploration Inc. under the supervision of engineers from Total Energy Services, was Temporarily Abandoned at 1,800 feet due to mechanical problems. The rig has since been released.

As soon as a suitable rig is available Titan Energy is planning to drill a substitute exploration well on the Northern flank within 50 feet from the Reese #10 well. It will then drill a new well to target a proven oil producing sand at a depth of 1,400 feet. This well would be located updip to the #4c well which had

good oil shows when swabbed before being suspended due to mechanical problems.

The Company is then planning to move the rig to the Southern flank where it will drill back-to-back wells targeting the sand at 1,400 feet.

Titan Energy holds approximately 87.5% and 84% interests in 344 gross acres on the southern and 276 gross acres in the northern flanks respectively on the Allen Dome and is currently in negotiations to acquire another large area of interest related to the proven oil producing salt dome.

### **Louisiana Greathouse Prospect**

On 31 October 2012, Titan announced it had increased its area of interest in the Greathouse Prospect in Louisiana from 110 acres to 148 acres.

Titan Energy has operatorship and a 50% interest on a ground floor basis in 129 acre project area, also has an option over a further 123 acres. It is currently in negotiations with a third party to farm-out all of its interest. If the negotiations are successfully concluded, Titan Energy will receive \$125,000 in cash and retain a free carried 12.5% Working Interest. The dry hole cost of the operation is estimated at approximately \$1,800,000.

Titan Energy's first well into the Greathouse Prospect was scheduled to be a re-entry and sidetrack of the Jordan Schultz #1 well. The Company is now considering drilling a new well, due to the uncertainty of the condition of the Jordan Schultz #1 well, which will target the Hayes sand at a Total Depth of 10,150 feet (approximately 3,093 metres).

The Greathouse Prospect, which is located within the historic South Lake Charles oil and gas field, is estimated to have the capacity to contain 1.35 million barrels of oil equivalent (mmbobe) within the Hayes sand, with the re-entry well forecast to have the potential to flow at rates of up to 300 barrels of oil per day (bopd).

### **COLORADO Sodbuster II Project**

With the significant success in obtaining increased oil production and cash flow at Allen Dome the Company elected to focus much of its efforts in the December quarter on that asset, while continuing to make preparations for the drilling of its first well in the Sodbuster II project area.

Subject to rig and equipment availability and a satisfactory Surface Use agreement being finalised, Titan Energy plans to begin its Sodbuster II program in the first half of 2013 with the spudding of the Hettinger #1 exploration well. Hettinger #1 will target the "J" Sand at an estimated depth of 5,000 feet and

target initial production of 75 bopd, with a potential 6 to 7 well development programme to follow.

### **KINMUNDY PROJECT, ILLINOIS**

Titan Energy continues to assess the potential to drill exploration wells in the Kinmundy project in Marion County, Illinois in mid 2013.

The Ritter #20-1 exploration well has been permitted and is currently proposed to be drilled to a depth of 3,650 feet to test the Carpa Sand on the Ritter lease. The low cost well has been estimated to have the capacity to achieve production levels of 50 bopd with the potential for a follow-up multi well development programme.

### **ACTIVITY REVIEW - AUSTRALIA**

#### **DR11 North Perth Basin (TTE: 100%)**

The Company is preparing to drill back-to-back exploration wells in the high profile DR11 permit to the north of Perth.

The Company is awaiting final environmental approval before being granted a Drilling Permit, which will enable it to begin the two well program in early February 2013.

On January 4, 2013, the Company received notification from the Department of Mines and Petroleum that “a five month suspension of Year 3 and a corresponding extension of term for Drilling Reservation DR 11 has been approved.”

The Company has contracted Dominion Drilling’s UDR 1500 HD rig to drill the two wells, each to a total depth of approximately 1,500 metres (4,500 feet) once the Drilling Permit is received. The first well will be Warradarge-1, which is currently targeted to spud early February 2013 and to take approximately 16 days to reach TD.

Titan Energy has informed the WA Government that it is planning to collect formation cutting samples and utilise modern downhole data acquisition tools during the drilling program to assist in fully assessing the conventional and unconventional hydrocarbon potential within this section of DR11.

Upon completion of drilling and testing at Warradarge-1, the rig will be moved 4,100 metres to the northeast to drill Warradarge-2, which has a similar drill program.

The two wells are targeting the proven Cadda Formation and Cattamarra Coal measures of the Jurassic sediments within DR11. The Cattamarra Coal measures occur at shallow depth west of the Warradarge and Lesueur Faults to the west of DR11 and are approximately 300 metres (900 feet) thick in the Woodada gas field to the west of DR11.

Titan Energy's aim for this two well program is to bring sufficient gas to the surface for sampling, and if successful, it will then apply for a location permit over the area.

#### **EP455 North Perth Basin (TTE: 18.5%)**

Titan Energy's farm-in partner AWE Limited continues to refine its plans for a proposed exploration well, to be known as Drover-1.

A spud date for Drover-1 remains subject to approvals and rig and equipment availability.

#### **CORPORATE Financial**

During December 2012 and January 2013, the Company successfully raised A\$3,631,635 before costs from the exercise of 187,769,014 options expiring on the 31st December 2012 and a small placement of shares and options to sophisticated investors.

With the addition of the addition of cash flow from the Allen Dome fields in Texas, Titan Energy currently has cash-on-hand of approximately A\$4.4 million, which ensures the Company is well funded for its current activities.

#### **MANAGEMENT OUTLOOK**

Titan's directors intend to continue to investigate opportunities for potential project acquisitions.

The Company is looking forward to a very active period, with a number of relatively low cost/potentially high value-add drilling opportunities to be undertaken in Australia and the USA.

#### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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##### **Competent Person's Statements:**

Information in this report that relates to Hydrocarbon Reserves and or Resources in the United States of America is based on information compiled by Mr John McKnight, US Managing Partner of Titan

Energy Ltd who has consented to the inclusion of that information in the form and context in which it appears.

Mr McKnight has over 20 years experience in the petroleum industry in oil and gas exploration and production, as either an employee or consultant to oil companies operating in the petroleum industry. Mr McKnight reviews the Company's operations with the help of various professional consultants, appropriately qualified and experienced in their respective fields within the petroleum industry. He is also a Professional Member of the Society of Petroleum Engineers.

Information in this report that relates to Hydrocarbon Reserves and or Resources in Australia is based on information compiled by Mr Stephen Thomas, Director of Titan Energy Ltd who has consented to the inclusion of that information in the form and context in which it appears.

Mr Thomas has over 30 years' experience in petroleum geology and in oil and gas exploration and production, both in Australia and internationally, as either an employee or consultant to oil companies operating in the upstream petroleum industry. Mr Thomas reviews the Company's operations with the help of various professional consultants, appropriately qualified and experienced in their respective fields within the upstream petroleum industry. He is also a member of AusIMM, a fellow of the Royal Geological Society of London and has a BSc (Hons) in geology from the University of South Wales.