

# ASX RELEASE

31 JULY, 2009

Suite 3.14, Pacific Tower,  
737 Burwood Road, Hawthorn,  
VIC 3122 Australia.

**Telephone:** +61 3 8862 6466

**Facsimile:** +61 3 8862 6614

[www.marionenergy.com.au](http://www.marionenergy.com.au)

ACN 000 031 292

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE, 2009

The Directors of Marion Energy Limited ("Marion") (ASX: MAE) present their Activities Report for the June 2009 Quarter.

### OVERVIEW

The June 2009 quarter saw a focus on the following strategic activities:

1. The Goldman Sachs managed process of seeking buyers for the Company and/or its assets either in whole or in part;
2. Negotiation of extension of banking facilities; and
3. Conducting a complete review of both Utah field operations with a view to establishing a forward development plan to maximise value to shareholders.

Low gas prices – for a time below US\$1.50 per mcf in the Rocky Mountains – meant minimal revenue generation during the quarter.

The pricing environment made the wells marginal in terms of cash flow contribution on an operating basis. The majority of wells were therefore shut in for the quarter. However, in order to generate meaningful information for the Goldman Sachs sales data room, some production from wells was undertaken with most of the gas being flared.

Given the recent resurgence in gas prices to over US\$3.00 per mcf, the Company now plans to bring a number of the wells back on stream with associated field operations to commence in the near term.

In the first instance, these operations will focus on the potentially most productive wells, in line with the formulation of the development plan for both Utah projects, which is now nearing completion.

It is anticipated that details of the development plan and operational strategies will be advised to shareholders in the near future and will support the on-going sale process.

## **GOLDMAN SACHS MANAGED SALE PROCESS**

Following the commencement of the Goldman Sachs mandate in April 2009, management undertook the following activities during the quarter:

- Establishment of a comprehensive data room of information regarding the Company's operations and assets;
- Finalisation of the new Reserve Report, as announced in April 2009; and
- Presentations to a number of parties which have registered an interest in the Company's assets.

The Board and management remain committed to conducting the sale process in a prudent and targeted manner to elicit maximum value should an offer be made for the Company and/or its assets either in whole or in part, including the possible formation of joint ventures.

Efforts to achieve this outcome continue and any material developments will be reported to the market.

## **BANK FINANCE**

During the quarter, the Company secured a three month extension of its bank facility and US\$6 million increase in the total facility to a maximum US\$42 million with finalisation of the facility being completed in early July, 2009.

Management has also commenced negotiations with a number of parties with a view to establishing a rebalancing of the Company's debt profile.

## **OPERATIONS**

During the quarter, field operations were primarily designed to satisfy the requirements of:

- Completion of a new Reserve Report, necessitating extensive flow testing to establish likely maximum future flow rates.
- Provision of critical data regarding the potential productivity of the Company's Utah projects for the Goldman Sachs data room and also to parties registering their interest in the company and/or its assets; and
- A review of the field operations to date to best determine the operational plan to maximise the future productivity of the gas fields in an uncertain price environment.

As a consequence of the extensive flow testing and resulting issues, as well as the low gas prices prevailing throughout the quarter, gas was in the main flared.

## **RESERVE REPORT**

In late April, 2009 the Company advised it had completed the preparation of a new Reserve Report which resulted in a new certification of the Company's 2P reserves of 243 Bcf of gas.

This reduction of reserves from the previous level certified was largely reflective of the much lower gas prices prevailing resulting in lower net present value assessments for the Company's reserves. The current level is additional to the November 2008 assessment of recoverable total resource in ground of between 2.4 and 4.3 Tcf of gas. Both of these measures combined represent a very significant and valuable asset base for the company.

*North American Contact: Mr Jeff Clarke*

*Managing Director & CEO*

*Ph: +1 214 244 7690*

*Email: [jclarke@marionenergy.com](mailto:jclarke@marionenergy.com)*

*Australian Contact:*

*Mr Peter Collery*

*Executive Director and Company Secretary*

*Ph: 03 8862 6466*

*Email: [peter@marionenergy.com.au](mailto:peter@marionenergy.com.au)*