



**PAN ORIENT ENERGY CORP.**

**Press Release**

**INDONESIA OPERATIONS UPDATE**

**CALGARY, July 25, 2012**

**INDONESIA OPERATIONS UPDATE**

**Citarum PSC (Pan Orient Operator and 77% Working Interest)**

Jatayu-1 Exploration Well

Previously, the Jatayu-1 well was drilled to a depth of approximately 5,920 feet true vertical depth ("TVD"). Strong overpressure estimated at approximately 600 pounds per square inch and extremely high mud gas readings of up to 80 per cent were observed between approximately 5,530 and 5,920 feet TVD with difficulty maintaining adequate mud weight from 5,631 feet due to the influx of gas. This section drilled was interbedded sandstone and shale with an inferred gas column based on the mud log data of approximately 390 feet. While conducting a wiper trip from 5,920 feet the drill string became stuck and was backed off to 5,300 feet TVD.

After sidetracking, the well was drilled to a depth of approximately 5,500 feet TVD and seven-inch casing was set just above the interval where high mud gas and overpressure was encountered in the previous well bore. The well has since been drilled to a depth of 6,175 TVD utilizing high mud weights (approximately 13.5 ppg) due to the overpressured section. Gas shows were observed throughout the interval, though not as high as in the earlier side track, possibly as a result of the much higher mud weights used. Lost circulation was encountered at 6,173 feet TVD resulting in the decision to stop drilling and log the well. The wellsite cuttings description indicated the lithology of the formation being drilled when losses occurred to be sandstone, and very high mud gas readings were also observed over this interval.

A full suite of wire line logs and pressure data has been acquired above the interval where drilling fluid losses occurred, however no data was acquired over the specific loss interval due to the length of the logging tools relative to the proximity of the loss zone where drilling was stopped for safety considerations. Interpretation of the logged interval indicates a number of sandstones with very low porosity and permeability.

Currently, we preparing to run a cement plug over the zone where mud losses were observed in an attempt to cure these losses and drill ahead through the inferred permeable zone and towards the main Parigi formation target estimated to be encountered at a depth of approximately 7,380 feet TVD. In the event that we are unable to cure the drilling fluid losses, the decision to terminate drilling will be required for safety considerations and re-drilling of the well incorporating a reconfigured casing design will take place at a future date.

*Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand, Indonesia and in Western Canada.*

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