



## PAN ORIENT ENERGY CORP.

### Press Release

## 2011 CAPITAL PROGRAM AND OPERATIONS UPDATE

CALGARY, February 9, 2011

### 2011 CAPITAL PROGRAM SUMMARY

- Firm capital program of \$71 million allocated \$44 million to Thailand and \$27 million to Indonesia.
- Thailand drilling program to include 37 wells comprised of 11 exploration wells and 26 development or appraisal wells intended to grow current production for average 2011 oil sales of 5,000 to 6,000 BOPD.
- Indonesia drilling program to include 6 high impact exploration wells, commencing in mid March 2011 with three wells at Batu Gajah.

### INDONESIA OPERATIONS

#### Batu Gajah PSC (Pan Orient 90% Working Interest and Operator)

Steady progress was made through the latter part of 2010 on the land purchase, location construction, contract awards and approvals for the three well exploration program at the Batu Gajah PSC. Construction is approximately 50% and 80% complete on the SE Tiung-1 and Betano-1 locations, and has just commenced on Tuba Obi Utara-1 location. The Tuba Obi Utara-1 well will be the first well drilled in the program and is expected to commence on approximately March 15, 2011 and take approximately 21 days to total depth. The Tuba Obi Utara-1 well will be immediately followed by wells at SE Tiung-1 and Betano-1.

Front end work also continues on a contingent three well program at Batu Gajah that would commence in late 2011 targeting new prospects and / or an appraisal of any success in the initial three well program. Another contingent item currently being worked on and being steered through the approval process includes 400 square kilometers of 3D seismic.

#### Citarum PSC (Pan Orient 69% Working Interest and Operator)

Work at the Citarum PSC is currently focused on the purchase of land for three drilling locations selected and approved in 2010. The current time table for the commencement of drilling the first of three wells is late in the third quarter or early in the fourth quarter of 2011.

### THAILAND OPERATIONS

#### Thailand Production

Thailand oil sales averaged 2,249 BOPD (net to Pan Orient) in January 2011, and there is approximately 1,800 BOPD (net to Pan Orient) of additional production capability currently shut in at the WBEXT-1A, WBEXT-1, and WBEXT-1B wells until the award of a new production license by the Thailand Department of Mineral Fuels ("DMF") which is anticipated within the next 20 days. The 950 BOPD decrease in production from the last production update on January 6, 2011 is almost entirely attributed to an increase in the water cut at the WBEXT-1C well, which has now stabilized at 83%.

Wells at NSE-E4 and L53-C are currently testing or about to test, and a third well at WBEXT-1D will be perforated over two additional sandstone intervals. Two drilling rigs are currently operating for Pan Orient in Thailand with one at Concession L44 and another one at Concession L53. The base capital program for 2011 of 37 wells and associated production guidance is based on one drilling rig operating in Concessions L44 and L33 throughout the year and a second rig at Concession L53 for part of the first quarter of 2011. The second drilling rig will complete the firm three well program at Concession L53 and depending on results, it will be released. Depending on circumstances, including corporate production levels and the level of exploration and development success, the second rig may be utilized throughout all, or a large portion, of 2011.

## **Thailand Drilling**

### **Concession L44 – Pan Orient Energy 60% and Operator)**

#### **WBEXT-4 Appraisal Well (Wichian Buri Extension Field)**

The WBEXT-4 well was drilled from a surface pad approximately 1 kilometer north of the WBEXT-1 surface pad and 300 meters south of the Concession L33 / Concession L44 boundary. At approximately 414 meters true vertical depth (“TVD”) the well encountered very good oil and gas shows within a sandstone zone approximately 14 meters thick and located within what is designated fault compartment II. The decision was made to stop drilling and test the zone which resulted in an initial rate of 40 BOPD (gross) of 22 degree API oil and a water cut of approximately 12%, mainly consisting of load fluid. Subsequently, the fluid rate dropped and the well was shut-in for observation to allow the fluid level to rise. It is suspected that the low degree API, waxy crude at this shallow depth (low temperature) is highly viscous under reservoir conditions resulting in the low fluid influx. The well is currently producing at approximately 30 BOPD (gross) with a water cut of 0.6%.

Fault compartment II was located due west of fault compartment I which had been proven oil bearing in the sandstone zone by the WBEXT-1B well. With fault compartment II, now shown to be oil bearing by the WBEXT-4 well, future wells will target this sand at a deeper depth where the oil is anticipated to be less viscous, and a horizontal well is being considered to possibly improve rates from this very good quality sandstone reservoir containing viscous 22 degree API oil.

#### **WBEXT-1D Appraisal Well (Wichian Buri Extension Field)**

The WBEXT-1D well was drilled due east of the WBEXT-1 well pad with the primary objective of testing the multiple oil bearing sandstones encountered in the WBEXT-1B well at a subsurface location approximately 400 meters to the south. Drilling was terminated at a depth of 700 meters TVD after encountering good to excellent oil shows over 12 separate sandstone intervals between 421 and 700 meters. Drilling fluid losses of 250 barrels in one sandstone interval indicate high permeability. Wire line log data was only achieved over the interval of 583 to 596 meters due to unstable wellbore conditions in this highly deviated well.

Testing has now been completed in two sandstone reservoirs with the lower most zone from 925 to 960 meters TVD testing gas at a maximum rate of approximately 0.7 million cubic feet per day (gross). A second shallower zone perforated from 760-790 meters TVD is currently producing 35 degree API oil at approximately 37 BOPD (gross) with a water cut of 0.05%. Two additional sandstone intervals between 620-650 and 560-590 meters TVD will be perforated within the next five days and commingled with the zone currently on production.

#### **NSE-E4 Exploration Well**

The NSE-E4 exploration well was drilled from the NSE-E well pad across a large bounding fault to the east targeting a potential volcanic reservoir underlying the main NSE Central volcanic reservoir. A 30 meter thick volcanic was encountered at a depth of 1088 meters TVD exhibiting good oil shows and high mud gas readings over the top 10 meters of this interval. High penetration rates were observed over this interval of oil shows and high mud gas readings suggesting the presence of fractures despite no indication of drilling fluid losses. Testing is anticipated to commence within the next 5 days.

#### **L44-F Exploration Well**

The L44-F exploration well will commence drilling within the next four days and is targeting both conventional sandstone and unconventional volcanic reservoirs within a large, approximately 11 square kilometer maximum structural closure at the sandstone reservoir level and approximately 13 square kilometer structural closure at the volcanic target reservoir level. The well is vertical and located approximately 4.2 kilometers southwest of the Wichian Buri oilfield and 1.8 kilometers due west and 100 meters up structure from the POE-7 well drilled by Pan Orient in 2006 that encountered over 50 meters of high quality sand at the L44-F sandstone target level, with oil shows interspersed throughout.

The L44-F prospect is located on a broad north-south trending ridge that is believed to be the focal point for hydrocarbon migration within the entire western portion of the L44 concession. At the sandstone reservoir level the ridge is segmented into three possibly independent fault bound structural closures totaling 22 square kilometers in maximum areal extent, the southern most closure at 11 square kilometers, being L44-F.

## **Concession L33 – Pan Orient Energy 60% and Operator**

### L33-2ST1 Appraisal Well (Wichian Buri Extension Field)

The L33-2ST1 appraisal well was targeting the WBV1 volcanic reservoir at a subsurface location that is 682 meters north east and up structure from the WBV1 volcanic at L33-2 (which was shut in after starting to produce significant quantities of water). The target was in a region that is currently defined as prospective resources in Gaffney Cline and Associates' recent third party resource report that was part of the L33 production license application.

The primary volcanic reservoir was encountered at a depth of 677 meters TVD, 28 meters high to the L33-2 discovery well, and exhibited high mud gas reading and oil shows over the upper 5 meters of a 37 meter thick volcanic section. Due to the lack of drilling fluid losses, the well was sidetracked approximately 60 meters east, a location interpreted to be closer to the main bounding fault and more highly fractured. Unfortunately, the wellbore intersected to main bounding fault prior to encountering the top of the volcanic target as a result of poor fault resolution on the 2D seismic data that this well was drilled on. The well is currently suspended and will be sidetracked to a location up-dip and in close proximity to the original L33-2 well. The target location for this well (L33-2st1) will be drilled from one of four recently approved locations that will be under construction shortly.

## **Concession L53 Pan Orient Energy 100% and Operator**

### L53-A1 Development well

The L53-A1 development well is currently drilling ahead at a depth of 1,010 meters TVD, approximately 30 meters above the K40-A sandstone zone, the first of three primary sandstone objectives which this well is targeting. Drilling is anticipated to be completed in the next 7 days, at which time the rig will move to the L53-B appraisal well location located approximately 2 kilometers north of the L53-A1 location.

### L53-C Exploration Well

The L53-C exploration well was targeting multiple stacked sandstone reservoirs within an approximately 11 square kilometer structural closure. Oil shows were observed during drilling in sandstones over a gross 180 meter interval. Wire line logs, combined with oil shows observed while drilling, indicate approximately 9 meters of possible oil pay over the gross interval of 958 to 977 meters TVD. Testing will be required to confirm any hydrocarbon potential in this well and is anticipated to commence within the next seven to eight days when the service rig is anticipated to arrive from concession L44 to test both L53-C and L53-A1.

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

Pan Orient Energy Corp.

Jeff Chisholm, President and CEO

- or -

Bill Ostlund, Vice President Finance and CFO

Telephone: (403) 294-1770