



Cue Energy Resources Limited

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TO : Company Announcements Office
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DATE : 4 October 2011

PAGES (including this page): 4

FROM : Andrew Knox

RE : **Regulatory approval for participation in Mahakam Hilir Production Sharing Contract (PSC), Indonesia.**

Attached please find Cue Energy Resources Limited's release with respect to the above mentioned.

Yours faithfully

A handwritten signature in black ink, appearing to read "Andrew Knox".

Andrew M Knox
Public Officer



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RELEASE

(ASX: CUE; NZX: CUE; POMSOX: CUE; ADR/OTC: CUEYY)

Regulatory approval for participation in Mahakam Hilir Production Sharing Contract (PSC), Indonesia

Cue Energy Resources Ltd is pleased to advise that the Indonesian regulator has approved Cue's 40% interest in the Mahakam Hilir PSC. SPC Mahakam Hilir Pte Ltd (SPC) is the PSC operator and will hold the remaining 60% interest. As previously advised, under the Farmin Agreement Cue will earn its interest, by refunding 40% of the past costs to SPC which is estimated to be around USD4 million. This will be funded from Cue's existing cash reserves and be paid by the end of October.

The Mahakam Hilir PSC covers an area of 344km² in the prolific Kutei Basin, Eastern Kalimantan. The Sambutan gas/oil and the Sei Nangka and South Perlang oil fields are all located on western boundary of the PSC. The Sambutan field was discovered in the early 1900s and is currently producing oil and gas from Miocene-aged reservoirs. The South Perlang and Sei Nangka fields are currently shut-in. No modern wells have been drilled in the PSC.

In 2009 SPC acquired 200km of new 2D seismic in the PSC. Interpretation of these data in conjunction with evaluation of newly available well-logs from the adjacent Sambutan field, reprocessed vintage seismic data and field mapping has identified five prospects.

The high-graded Naga Selatan (*Southern Dragon*) and Naga Utara (*Northern Dragon*) prospects will be drilled later this year.

Naga Selatan Prospect Summary

- Located approximately 10km NE, and along trend of the Sei Nangka oil field.
- Well imaged on the new seismic data and mapped as a four-way dip closure, bounded to the west by NE-trending thrust fault.
- Target reservoirs are the Miocene fluvio-deltaic Pulau Balang and Balikpapan Formations. These reservoirs are over 80m thick at the Sambutan field and have porosities up to 25%.
- Oil was recovered from the seismic shot-holes whilst acquiring the new 2D seismic, indicating an active petroleum system adjacent to the prospect.
- Most likely recoverable oil of 20 mmbbls.

Naga Utara Prospect Summary

- Naga Utara oil/gas prospect is located on the eastern flank of the Sambutan field.
- The well will test shallow targets producing at Sambutang and also deeper potential that has not been tested to date.
- Target reservoirs are the Pulau Balang and Balikpapan Formations.
- Most likely recoverable gas of 80BCF.

Land for the well sites is being acquired and tenders for rig and service contracts are being evaluated with a view to spudding the first well before the end of 2011. Further updates on drilling progress will be provided at critical milestones.

The participants and their respective interests are:

SPC Mahakam Hilir Pte Ltd (<i>Operator</i>)	60%
Cue Mahakam Hilir Pty Ltd	40%

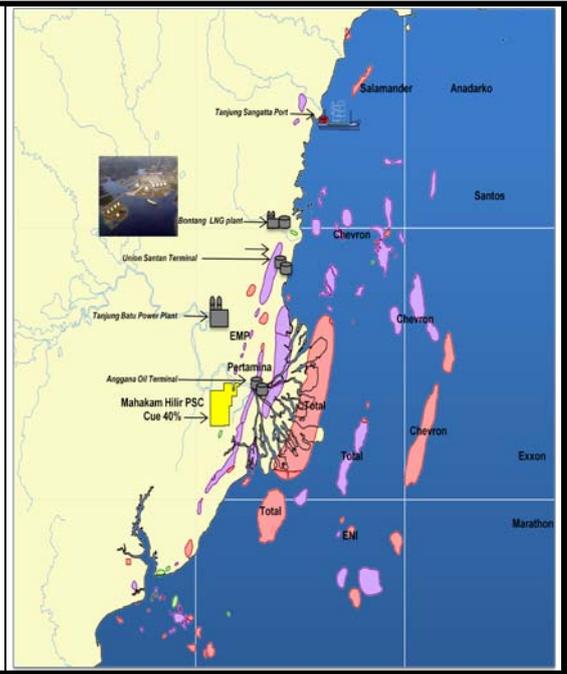
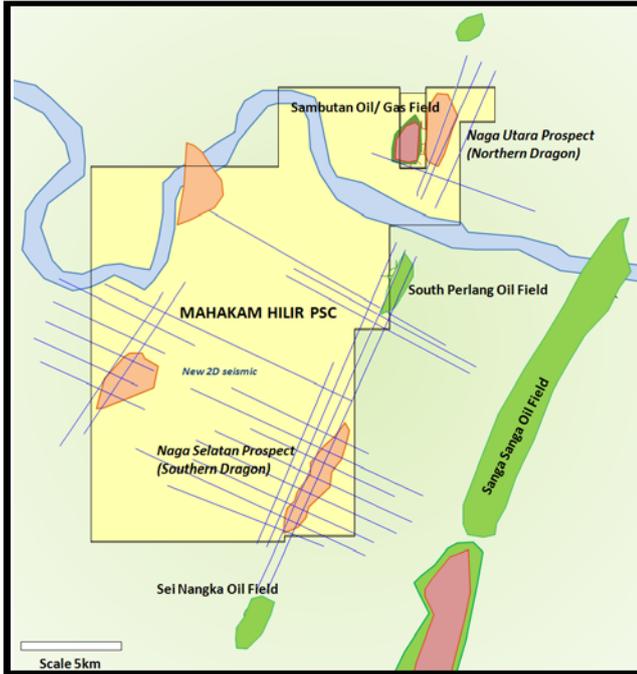
- Map attached.

Any queries regarding the announcement should be directed to the Company on (03)96708668 or email mail@cuenrg.com.au.



Mark Paton
Chief Executive Officer

4th October 2011



Map of Mahakam Hilir PSC