

ASX and Media Release  
Friday 15 May 2009

## **PACA 2 well completed for production**

### **Increase in resource and re-categorization of reserves at Block 330**

Eromanga Hydrocarbons NL (ASX: ERH, ERHO, ERHCA) is pleased to announce that the PACA 2 well will be completed as a future producer. The results at PACA 2 and the on-going flow test at PACA 1 have resulted in an increase in resources for Block 330 and a re-categorization of reserves.

The PACA 1 and PACA 2 wells are in Block 330 on-shore in the Sergipe Alagoas Basin, Brazil. They are part of the Gavea Joint Venture (ERH 40%) which includes the previously announced discovery at Block 430. Plans for further drilling at Block 430 will be the subject of a future announcement.

#### **1. Completion of PACA 2 as a future producer**

The operator has advised that it will complete PACA 2 as a future producer and has isolated the DDD and upper CCC zones for production. Production will commence once the well is completed with a Progressive Cavity Pump and the production licence is received from the ANP, Brazil's oil industry regulator. The operator expects the combined zones to initially flow at a rate up to 60 Bbl/day with potential for flow to increase to the pump capacity of 150 Bbl/day as the well cleans-up.

Zone DDD (306m-314m) is predominantly a sandstone interval and the Operator has determined from logs that the average porosity is greater than 23% and average oil saturation is 67%. The Upper CCC Zone (331m-334m), has an average porosity of around 27% and average oil saturation of 53%.

The Joint Venture expects to test the other zones encountered in PACA 2 with future wells. In particular, the interval from 237 to 245 meters, which includes Zone EEE, may provide a very shallow, and therefore, low cost target for a future production well. This interval could not be tested properly or completed in PACA 2 due to the position of the casing shoe, despite an average oil saturation of 68% interpreted between 243.5m and 245.5m.

Similarly the lowest Zones in PACA 2 will be tested, subject to Joint Venture approval, by future wells using drilling muds and testing and completion methods that are less antagonistic to the flow of oil and that can now be selected as a result of the test work completed to date at PACA 2.

Production from PACA 1 is continuing following the termination of the long-term production test and an inspection of the facilities by the ANP. Production from PACA 2 will commence once the Production Licence for the PACA Field Ring Fence within Block 330 has been issued by the ANP. The application for the licence has been submitted and the completion of testing at PACA 2 is expected by the Operator to provide the remaining detail requested by the ANP to approve the licence and the production ring fence within Block 330.

## 2. Increase in Total Resource

An in-house technical review for the Board has resulted in an increase in the total resource for the interpreted horst structure in Block 330. (Table 1).

**Table 1 – Increase in Total Resource (Millions of Barrels)**

<b>(100% Equity Basis) 50% probability of exceeding</b>	<b>Original oil in place</b>	<b>Resource</b>
Reported October 2008	92	16
May 2009	162	24 <sup>(1)</sup>
<b>% Increase</b>	<b>76%</b>	<b>50%</b>

Note: (1) Total Resource includes 1.7 million Barrels of Reserves (Refer Table 2)

This increase in oil in place and potentially recoverable resource is based on:

- the re-mapping of top Coqueiro Seco Formation as shown in Figure 1 (attached), which indicates a fault between PACA 1 and PACA 2; and
- the logging in PACA 2 of additional reservoirs with oil saturations in excess of 40% in the Penedo and Barra de Itiuba Formations, which lie beneath the Coqueiro Seco Fm.
- Formation production performance characteristics which are still to be confirmed by the Joint Venture

In accordance with the SPE/AAPG/WPC Petroleum Resource Classification System ([www.spe.org/spe-app/spe/industry/reserves](http://www.spe.org/spe-app/spe/industry/reserves)) the Total Resource is characterised as Reserves and Contingent Resources as shown in Table 2.

Once a stable production profile can be obtained from PACA 2 then the Joint Venture will have greater certainty whether oil volumes in the resource category in Area 1 (North Block) of the horst may be re-categorised from the Contingent Resource category into Reserves.

**Table 2 – Categorisation of Resources and Reserves**

<b>Amounts in Millions of Barrels</b>					
<b>Areas refer to Figure 1 (attached)</b>					
<b>South Block Reserves (Area 2)</b>	<b>P90</b>	<b>P50</b>	<b>P10</b>	<b>Area (km2)</b>	<b>P50 STOIP</b>
PACA-1	1.3	1.7	2.1	1.0	11
<b>North Block Resources (Area 1)</b>	<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>Area (km2)</b>	<b>P50 STOIP</b>
PACA-2	16	22	31	8.2	151

### 3. Farm-in Payments to the Operator in the event of Commerciality

In the event of a declaration of Commerciality for the PACA Field as defined in the Joint Venture Participation Agreement for Block 330 ("PA"), Eromanga would contribute 100% of the first US\$2m of development capital. The decision to declare commerciality (as defined in the PA) will be based upon the Joint Venture parties agreed forecast of operating revenues versus the capital cost required to be expended in respect of the full field development.

Also in the event of Commerciality an additional farm-in payment is contemplated under the PA. This payment arises should an independent engineering expert certify Proven reserves as greater than 2.8 mmbbl for Block 330.

Because of the variable nature of the different reservoirs, each new well drilled as part of the full field development plan is likely to add only certified proved reserves equivalent to the drainage area of the individual well (currently estimated at approximately 0.2 square kilometres or ca. 50 acres). As a result, certified proved reserves are expected to be limited to the drainage area of wells actually in production.

The additional farm-in payment would be calculated as the net present value equivalent of \$10/Bbl for the Eromanga pro-rata share of production from certified, Proved reserves greater than 2.8mmBbl and discounted to the date when the reserves were certified. Under the Participation Agreement the \$10/Bbl amount applies at oil prices between \$40 and \$80/Bbl and reduces to a \$0/Bbl payment for forecast oil price below \$40/Bbl and increases to \$15/Bbl for forecast oil price greater than \$80/Bbl. It is considered unlikely that this amount will need to be paid.

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*In accordance with ASX Rules, the geological information of this release has been reviewed and approved by Mr John Weston, Executive Director of Eromanga Hydrocarbons NL, BSc (Hons) and MSc Geology. Mr Weston is a member of the Society of Petroleum Engineers and has more than 30 years of relevant experience within the industry and consents to the information in the form and context in which it appears.*

## Figure 1- Gavea Joint Venture

### Re-mapping of interpreted horst structure as a result of PACA 2

(Map shows top of Coqueiro Seco Formation)

#### Gavea JV (Eromanga 40%) Block 330 – PACA Field

##### Interpretation Pre- & Post-well 1-NORD-2-SE

➤ Areas calculated before new well data:

Minimum area (325 ms contour) = 0.9 Km<sup>2</sup>

Most likely area (350 ms contour) = 3.5 Km<sup>2</sup>

Maximum area (375 ms contour) = 10.0 Km<sup>2</sup>

➤ Current Areas

➤ Area 1:

Most likely area (230 ms contour) = 1.1 Km<sup>2</sup>

Most likely area (245 ms contour) = 8.8 Km<sup>2</sup>

➤ Area 2:

Most likely area (390 ms contour) = 1.0 Km<sup>2</sup>



