

Big Decisions Ahead For Small Explorer

SIX-YEAR-OLD private Perth company FINDER Exploration has some big decisions on its hands in the foreseeable future which could reshape the very nature of the company.

Over its short history it has acquired an interest in 22 permits and having shed its United Kingdom, New Zealand and Papua New Guinea interests, it now focuses the majority of its attention on the offshore of western and northern Australian area with 13 permits in the North West Shelf, 10 of which it operates.

With six of its 11 staff being geoscientists, FINDER can focus purely on capturing and de-risking prospective acreage to unlock new and previously overlooked play concepts within proven hydrocarbon basins – namely the Carnarvon, Browse and Bonaparte basins, as well as the Bedout and Petrel Sub-basins.

"It's one of those classic things, and pretty much all geoscientists can be accused of it at one time or another: where one dry hole can write off the whole basin. So the FINDER model, which is different from our peers, is that we not only have the appetite to challenge these geologic paradigms, but we have an incredibly detailed database across the North West Shelf to support this endeavour", FINDER's Operations and Joint Venture Manager Craig Gumley said.

Having acquired 5,500 km² of 3D seismic data over seven surveys across eight permits in the past year, and incorporating this brand new data into the existing seismic and geologic database, FINDER is now looking to participate in a significant drilling program spanning the last half of 2012 through 2013. If discoveries are made as a result of this activity, FINDER will need to consider how to position the company going forward.

Much of FINDER's acreage in the Carnarvon and Bedout is in a strategically significant area of the North West Shelf, as it is understood that the Wheatstone LNG project can take more gas, Woodside is looking for gas for Pluto train 2 and, come 2020, the North West Shelf joint venture will likely have capacity in its LNG plant, not to mention the potential for domestic gas sales as well.

WA-450-P

WA-450-P, FINDER's southern-most permit, is the most recent block awarded to it in



FINDER Exploration senior personnel from left to right: Commercial Manager Don Pyke, Exploration Manager Dariusz Jablonski, Operations and Joint Venture Manager Craig Gumley, Managing Director Jan Ostby and Technical Projects Manager Shane Westlake. Photo courtesy of FINDER Exploration.

May 2011, operated by Apache Northwest. Japan Australia LNG [MIMI] has also just farmed into this joint venture, with a firm well commitment that FINDER expects will be drilled Q3 2012.

As a result of the MIMI transaction and with success in the Olympus prospect FINDER will now be able manage the forward program within the permit. "WA 450-P is a very nice example, where we farmed out 75% to Apache, then to ensure we could meaningfully contribute going forward in the JV in the case of discovery, we divested another 20% [in October 2011] to Japan Australia LNG [MIMI]", Gumley said.

Permit WA-450-P, with water depths ranging between 560–720 m, has potential oil and gas plays and is on the western flank of the Rankin Platform of the Carnarvon Basin, approximately 125 km from the WA coastline, and about 35 km from the gas pipeline that joins the East Spar field to the domestic gas network. The giant Gorgon and Clio gas fields are only 10 km to the north of the permit while the producing Woollybutt and Griffin-Chinook-Scindian oil fields are approximately 30 km to the southeast and 40 km to the south, respectively. The recent Zola discovery is also located just to the southeast of the permit.

WA-445-P

Of its 5,500 km² of seismic data surveys, one that has recently "delivered the goods" is the pre-stack depth reprocessing of the 3D seismic data within its WA-445-P permit, just inboard of the Wheatstone gas discovery and just outboard of both Woodside's Echo/Yodel [a liquids-rich, gas condensate field 23 km southwest from the Goodwyn A Platform] and the Lady Nora oil discovery.

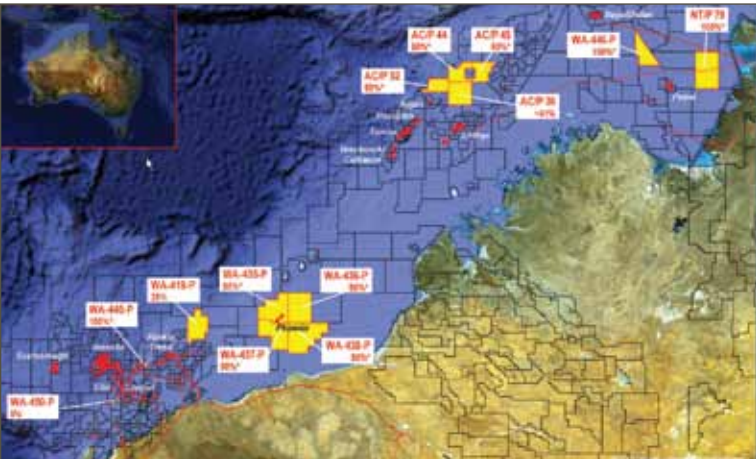
"What we had hoped for has come to pass – there is a very nice-looking play there, a direct analogue for Echo/Yodel where you've got the Mungaroo sands sub-cropping the base regional seal. The new pre-stack depth migrated 3D seismic data has confirmed that the structural trap that we anticipated is actually there", Gumley said.

FINDER took its WA-445-P permit to the farm-out market around the end of November 2011. The permit, which FINDER holds at 100% interest, lies about 30 km from the pipeline network that supplies gas to the North West Shelf Venture export LNG trains onshore near Karratha.

The Bedout Sub-basin

The Phoenix field in the Bedout Sub-basin is a classic example of FINDER's niche exploration work. There was a discovery well drilled in the

early 1980s, but with no real follow-up activity until 2–3 years ago. Finder and its Joint Venturer, Carnarvon Petroleum, has now reprocessed the existing 2D seismic data and acquired a new 1,100 km² 3D seismic survey across the discovery and related prospectivity. "We're great believers in new 3D data, because if you get new technology and/or data across old areas it's amazing how many new insights you get. As basins worldwide have matured the acquisition of new data has been shown to yield more new play concepts and the refinement of existing understanding", Finder's Commercial Manager Don Pyke said.



Finder Exploration's North West Shelf assets. Image courtesy of Finder Exploration.

The Phoenix gas discovery is situated in the northwestern part of the Bedout Sub-basin within the greater Roebuck Basin. It has proven petroleum systems with the mid Triassic gas discovery in Phoenix-1 within WA-435-P in about 140 m water depth. The whole of the area is under-explored, with the last well drilled in 1983.

"The Bedout Sub-basin was technologically left on the shelf for some 30 years, because when BP drilled the discovery well it was the 80s and back then 'who cares about gas on the North West Shelf' was the prevailing opinion", Gumley commented.

"BP were looking for oil, didn't find it, and moved on. Of course, the world has changed. Now we're looking at the Phoenix opportunity through the prism of infrastructure all along the coast, with capacity in the existing LNG trains plus the potential for domestic gas for the burgeoning mines. And we're only 150 km north of Port Hedland".

Yet it is not just the changing commercial landscape that has re-invigorated interest. From its regional assessment the JV has recognised the excellent reservoir quality encountered in the Keuadren-1 well, just 12 km south of the 3D survey area. "So the exploration in the area really becomes a low-risk reservoir sweetspot play", Gumley said.

Finder is set to bring the Phoenix opportunity to the farm-out market early in 2012 and "there has already been a fair bit of early interest", Pyke added.

Northern Browse Assets

The company is also finalising the new 3D data interpretation for its suite of assets in the northern Browse Basin – AC/P 52, 44 and 45 – and as Finder spoke to *PESA News Resources*, it was presenting the data and interpretations to the respective JVs to decide how to move forward with those opportunities.

Sasol Petroleum Australia has a 45% interest in AC/P 52, while Perenco (SE) Australia has a 40% stake in each of the highly prospective permits AC/P 44 and 45.

Pyke said the company hopes that in all permits the 3D seismic will deliver drillable prospects. "As with all exploration prospects they come with their share of risk and uncertainty and until the technical work is finalised

and we have presented them to the JV, we won't know which ones we will propose to drill and offer to the farm-in market", he said.

That said, "we're optimistic", he added. "The 3D data has increased our knowledge and understanding and that helps de-risk the opportunities going forward."

Finder into the future

Being a private company has its benefits and short comings.

"Being in the private space is a double-edged sword. We have the opportunity to focus solely on the business of exploration without the distraction of the fluctuations that go with being listed, which allows us some real benefits. The other side of the coin is that you don't necessarily have access to large chunks of capital, but I don't think small publicly listed exploration companies even have this given the market and the state it's in now", Pyke said.

"It is a challenge, but it's one we recognise, so we try to structure our deals to include some cash where possible in the transactions when we farm-out. This allows us to build a balance sheet that means we can continue to run and build

the business and also allows that, in the event of discovery, we have some cash reserves to be able to participate."

If it does have success with the drill bit, Finder has not yet determined what would be the next step for the company. "We haven't got a fixed strategy on what happens if we make a discovery", Pyke admitted.

"We are very aware that in the event of a discovery we've got some decisions to make. We continue to explore the options. For example you could float the company at that point, as our view would be that it'd be easier to do that in the event of success as compared to the current situation where we have a 100% exploration portfolio. Conversely, we have the option to raise private capital, and a whole range of things in between. It's really a timing issue."

Pyke said Finder is open to becoming a producer if it does make a discovery, but it would be a significant decision and a re-focus for the company, and therefore would depend on a number of factors.

"We're realistic enough to know that the space we're in is exploration, that's what we think we do well as our niche and our core competency", he said. "To step outside of that would require a different organisational structure. We'd need to bring in different expertise and experience and if that's the decision we take, then that would have to be very considered, because not only does it come with additional capital costs, but also overhead, personnel, etc.

"So depending on the project, depending on what we discover and the timeline, then we will weigh it all up. The question really is if production and development is a space where Finder needs to move to or if the company is better off to either divest that interest or do something else with the interest to monetise it."

So in the near term Finder is drilling some of its prospects.

"The fortunate thing for us is that of all the permits that we've got, we don't actually have any firm drilling commitments hanging over us", Pyke said. "It is true we'd be disappointed if all of the 3D surveys that we've acquired don't deliver drill-ready opportunities. If this were to be the case we're not going to be taking opportunities to the market that we just can't technically support.

"That provides us with a lot of flexibility going forward which, as a small private company, right now is a good place to be." ■

Phoenix In 3D Expands Activity

The Phoenix 3D seismic survey covers the underexplored area between the Carnarvon Basin in the southwest and Browse Basin in the northeast. It is the first 3D seismic data acquired within the Bedout Basin, and has highgraded several key prospects.

The survey shows a lot of promise as it has not only confirmed the robustness of the Phoenix South and Roc prospects, which are considered likely for drilling, but has also highlighted two new leads at Bewdy and Bottler. These prospects and leads have a combined total potential of trillions of cubic feet of recoverable gas.

The Phoenix 3D and 2D seismic survey was acquired by Fugro Multi Client Services

between December 2010 and February 2011. The survey consists of 1100 km² of 3D seismic data plus a series of key 2D seismic well tie lines which are 475 km in total, tying five wells.

"The Phoenix 3D seismic survey was acquired as a long offset survey, utilising streamer lengths of 7 km. The 2D tie lines were acquired with exactly the same equipment, removing ambiguity in the well tie lines that is often associated with using different equipment and/or vintages of data", said Shane Westlake, Technical Project Manager at Finder Exploration.

Finder Exploration and its Joint Venturer (JV) Carnarvon Petroleum (50%) will farm out the opportunity when the data is fully interpreted.

Craig Gumley, Commercial and Operations JV Manager at Finder Exploration, sees the Phoenix gas project as Finder's (and Carnarvon Petroleum's) lowest-risk near-term opportunity. "It is low risk from two perspectives – geological and commercial", he said.

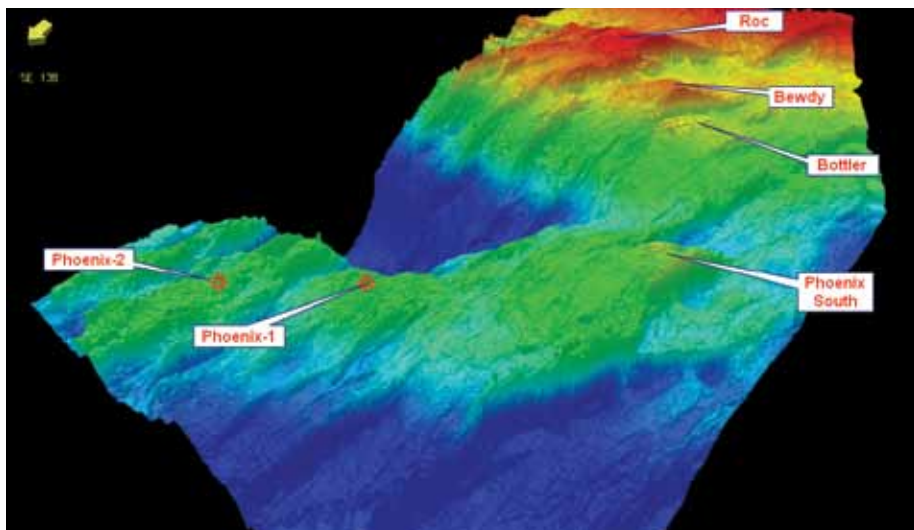
The Phoenix farm-in opportunity has a low geological risk as BP already proved the presence of gas in its 1980s drilling campaign.

"The Phoenix-1 gas discovery made by BP in 1980 proves the presence of hydrocarbons, where BP calculated 110 m of net gas pay from a 767 m column, but which could not be tested due to safety concerns arising from the influx of gas into the wellbore from the lowest sand intersected. Two years later BP drilled Phoenix-2 which had a lower quality reservoir", Gumley said. "Both the Phoenix-1 and Phoenix-2 wells are within the Phoenix 3D seismic survey.

"In the early 1980s there was no market for gas and BP dropped the acreage. However, there is a huge appetite for gas now."

There is also a low commercial risk, as the discovery is in a low cost environment with ready access to growing markets. "The Phoenix gas discovery is in water depths of 140 m and is only 150 km north of Port Hedland. The LNG feedstock and domestic gas markets are just to the south, as is infrastructure, commercially de-risking the project", Gumley said.

The Phoenix farm-in opportunity will be jointly brought to the farm-out market early 2012. ■



WA-435-P and WA-437-P - Bedout Sub-basin, preliminary 3D visualisation of the Phoenix 3D seismic survey, Base Cognigny Limestone Formation two-way-time surface.

Electricity Report Shows Investors Need Certainty

The 16 November 2011 release of the Bureau of Resources and Energy Economics' (BREE) annual publication *Major Electricity Generation Projects* shows the transformation of Australia's energy mix has begun, with 36% of the committed new investment in gas and 41% in wind.

The report by BREE, an independent economic and statistical research unit within the Department of Resources, Energy and Tourism, showed that there are 19 major electricity generation projects at an advanced stage of development – either committed or under construction – expected to deliver 2,668 MW and investment of \$4.839 B, and a further 167 projects at a less advanced stage of development.

Coal-fired power generation, which currently accounts for around 75% of Australia's electricity generation, will continue to provide much of Australia's electricity requirements in the period ahead, with 17% of the committed new investment in upgrades to existing black coal-fired power stations.

While this new investment is welcome, the Minister for Resources and Energy Martin Ferguson said that Australia needs more projects to move to the committed stage if we are to continue to meet its energy demands in the future and investors require policy certainty to make these investment decisions.

"According to BREE's report only two electricity generation projects – both wind farms,

delivering 179MW and investment of \$488 MM – have been completed in the previous 12 months", he said.

"This compares with 11 projects completed in the 12 months to October 2010, delivering 2,302 MW and investment of \$3.12 B; and 17 projects completed in the 12 months to October 2009, delivering 3,462 MW and investment of \$4.50 B. ■

"A reliable supply of electricity is fundamental to our standard of living and economic wellbeing, and Australia's energy security depends on new investment in electricity generation."

The full report is at www.bree.gov.au. ■