



PRODUCTION TESTING UPDATE –3 AUGUST 2009

Golden Eagle Field Grand County Utah

- **A Completion rig is currently being mobilised for the final testing and completion of Paradox Basin #2 which is to commence on Tuesday.**
- **The completion rig will then work-over the Paradox Basin #1 well.**
- **Unit Rig 234 has been demobilised off the Paradox Basin #2 location.**
- **The completions rig will initially conduct the final fracture stimulation of the Ismay Formation in Paradox Basin #2, followed by extended pre-production testing of the Golden Eagle gas field.**
- **Paradox Basin #2 had a pre-stimulation production rate of 237,000 scf/day which was flared.**
- **Data from the initial testing indicates that the Ismay Formation in Paradox Basin #2 is more suited to a gel based fracture fluid.**
- **Planning is currently underway on the work-over of Paradox Basin #1 in preparation for production.**

Unit rig 234 is being moved off location to allow access for a specialised completions rig to stimulate, test and complete the Ismay Formation in Paradox Basin #2. The completion rig will then move to Paradox Basin #1 to work-over and possibly re-fracture the Ismay Formation in preparation for production. The completion rig is scheduled to conduct the stimulation on Tuesday followed by approximately 12 days of production testing.

Gas was produced from the Ismay Formation in Paradox Basin #2 at a pre-stimulation rate of 237,000 scf/day. Pressure data from the initial test has since been analysed to determine key formation parameters necessary for design of the fracture. The results suggest that a gel based fracture would be optimal due to its shorter radius, more precise placement and higher conformance to bedding.

The completions rig is more suited to the testing and completion operations and will appreciably decrease the testing and completion costs. The completions rig is required to work-over Paradox Basin #1 and to re-run the existing completion in readiness for production.

Testing of Paradox Basin #1 was suspended in December 2008 due to inclement weather and a physical blockage of the production tubing. Since that time the well test results have been reviewed and it is apparent that the well would benefit from a significant recompletion possibly including additional fracture stimulation.



Pre- Fracture Gas flow from Paradox Basin #2 Ismay Formation

A handwritten signature in black ink, appearing to read 'Richard De Boer', located below the caption.

Richard De Boer
Executive Director

3 August 2009

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