

## **Tulainyo 2-7 Gas Flow Test Program Update**

- Testing has so far been conducted in two stages over a range of zones between total depth of 5,710 feet and 3,600 feet.
- Inflows of good quality gas at modest rates are currently being achieved but not yet measurable per zone. The results so far are believed to be impeded by near wellbore damage to the gas reservoirs.
- Formation evaluation is being carried out using downhole gauges to measure pressures and other critical data. This will support a more definitive analysis of flow potential with results expected within the next few weeks.
- With the additional data, remediation options to achieve higher flow rates will also be assessed.
- The successful drilling of Tulainyo 2-7 and testing achieved so far already provides the partnership with encouragement for the next phase of operations that would test additional deeper, stacked reservoir targets. This may include deepening of the Tulainyo 2-7 well once evaluation of the current test zones is complete and or additional appraisal drilling in due course.

Pancontinental Oil & Gas NL (ASX: PCL) ("Pancontinental" or "Company") provides this operations update for the Tulainyo 2-7 gas appraisal well in the Sacramento Gas Basin, California. Pancontinental is earning up to an effective 13.33% interest in the project.

The Tulainyo 2-7 well was drilled as planned to a total depth of 5,710 feet (1740 metres), within the very large, over pressured anticlinal structure following extensive pre-planning. Post well analysis indicated multiple stacked sandstone units, varying as expected in thickness and quality, all gas saturated.

A gas flow test program commenced in late February, was carried out with perforations into selected reservoir intervals using Tubing Conveyed Perforating Equipment or TCPs. The flow testing has so far been conducted in two stages over a range of zones between total depth of 5,710 feet and 3,600 feet.

Inflows of good quality gas into the well are currently being achieved at apparently low rates, but have yet to be accurately measured. Formation evaluation is now being carried out including running pressure gauges and conducting pressure build up tests. The results of these tests will potentially allow for a better understanding of reservoir quality, any reservoir damage, for example as a result of the high mud weights used during drilling operations as well as any remediation options that could be put into effect.

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Although tighter or less permeable rocks than predicted may be a factor in the results so far, there is substantial data that continues to support the presence of permeable gas reservoirs. This comprises examination of the extensive outcrop of the Lodogo Formation sandstones in the ranges immediately west of the Tulainyo structure (including outcrop core analysis), wireline log data and gas inflows in this well and the equivalent section in the nearby discovery wellbore while drilling.

Once the pressure gauge and related data has been collected, and potential remediation options analysed, Pancontinental expects to be in a position to provide a further update in the coming weeks.

In addition, these initial operations at Tulainyo were deliberately designed to evaluate the flow potential of shallow reservoirs observed in the original discovery well and tied to outcrop. Tulainyo is an over 100 km<sup>2</sup>, multi-TCF gas potential anticlinal structure with closure mapped on seismic to subsurface depths greater than 10,000'. To date there has been evaluation of less than half of the potential stacked reservoir targets by the Joint Venture drilling activity. The engineering learnings from Tulainyo 2-7 and ongoing tests will be key to unlocking the meaningful prospectivity that exists in the Tulainyo structure.

Commenting on the test program, Pancontinental CEO John Begg said:

*"The potential size of the prize remains large at Tulainyo. We continue to believe that capable reservoirs are present in the structure, but yet to be proved. We now need to work out just what impact the necessarily high mud weights used in drilling and the testing mechanisms applied may have had on the sands that were targeted in this well. Once we understand that, an assessment of the commercial gas flow potential of the shallow reservoirs at Tulainyo can be made."*

The Tulainyo Joint Venture includes operator California Resources Production Corporation ("CRPC"), a subsidiary of a NYSE-listed company that is one of California's largest oil and gas production companies and Cirque Resources LP, a private company based in Denver, Colorado.

For and on behalf of

**Pancontinental Oil & Gas NL**

**John Begg - Executive Director and CEO**

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