



Oilex: Success Is Just The Next Well Away

Perth-based oil and gas exploration and production company Oilex is positioning itself for growth on the back of a diverse portfolio of acreage spanning India, Oman, Indonesia, the Timor Sea and the North West Shelf.

Oilex started as an onshore Queensland-focused exploration company which, after making a discovery in the Surat Basin, set out to find a new direction. In 2005 Bruce McCarthy was appointed Managing Director, bringing extensive knowledge of Indian conditions from his time with Command Petroleum and Cairn Energy based in India, and helped Oilex secure a number of assets in India's Cambay Basin.

Oilex completed a deal with Canadian company Niko Resources and Indian state oil company Gujarat State Petroleum Corporation (GSPC), taking on operatorship and interests of 40–45% in three brownfield redevelopments in the Cambay, Bhandut and Sabarmati fields.

Oilex Technical Director Ray Barnes joined the company later that year. Barnes has worked the world over, previously holding roles with Ampolex, based in Denver, Colorado, where he was responsible for US and South American operations, and with Apache Energy, based in Perth, as Exploration Manager.

"About the time I came on the deals had been signed and sanctioned by the government

of India and we were kind of ready to start operations at that point in time," Barnes said.

"The fields had been unloved for a number of years—they had been in oil and gas production for nearly 50 years, on and off, but hadn't produced significant volumes for that amount of production time."

Barnes said, as the developments were originally implemented using Russian technology, Oilex needed to compare what a Russian log looked like and what a modern log looked like, recalibrating the Russian logs; part of the process of developing a modern view involved shooting 3D seismic over the fields.

"We set about that exercise of trying to firstly understand and quantify the volume of hydrocarbons in the ground and then see if we could come up with a successful, commercially viable method of extracting those and eventually selling them", he said.

Barnes said the field's makeup is complex, with the challenge being determining a way to produce from relatively tight reservoirs. He said Oilex has now drilled eight wells and has thus far had a mixed range of results, with modest oil production established from a shallow reservoir and a gas production

Top: Onboard the Songa Mercur.



Ray Barnes, Oilex Technical Director

project from deeper reservoirs still under review.

"There's been two wells on production there for the last year. The maximum rate that we produced out of those is probably 500–600 bbl/d initially", he said.

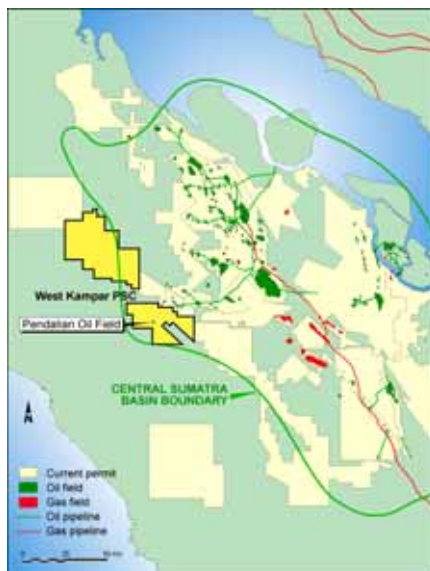
Barnes describes India as a 'unique' oil and gas business environment, however said Oilex's Indian staff are all national employees with a good local knowledge of Indian conditions.

"There are a lot of very experienced and very well qualified and very good Indian personnel who have come up through the ranks there, who have worked for foreign companies; we're actually quite happy with the way things are", he said.

Oilex's Indian alliances have carried beyond Indian borders, with the company embarking upon a number of joint ventures with Indian petroleum companies both in Australia and internationally. Oilex is the operator of the JPDA 06-103 joint venture, in the Joint Petroleum Development Area in the Timor Sea, with a 10% interest; Indian companies Videocon and Bharat PetroResources each have a 25% interest, GSPC 25%, and Japanese company Japan Energy a 15% interest.

Barnes said the joint venture shot over 2,000 km² of 3D seismic in the block.

"It turned up some pleasantly surprising results, which doesn't always happen in our business, in that it enabled us to map the top of the reservoir in the shallow water part of the block, where we just couldn't do it with the existing data. We've turned up some quite large



West Kampar PSC location map.

structures through the interpretation of that seismic", he said.

The joint venture has secured the *Songa Mercur* drilling rig from Woodside, with the drilling of two wells (with the option of an additional well) scheduled to take place in mid-late November. Barnes said the wells are reasonably deep, ranging from 3,700–4,300 m, and will each take around 20 days to drill.

"The next quarter is going to be quite significant for Oilex", he said. "The interpretation of the 3D seismic identified 23 structures across the block, and the joint venture selected these two prospects in shallower water close to the proven oil area, but there's plenty of other things to do in the block.



The Songa Mercur drilling rig.

"ENI's Kitan discovery was made recently right on our block boundary so we're not talking wildcat exploration here—this is, on trend, reasonably low-risk exploration."

Barnes said the field presents no real challenges from a production standpoint. He said there are a number of other fields being developed in the area, with the ConocoPhillips-operated Bayu-Undan gas condensate field relatively nearby.

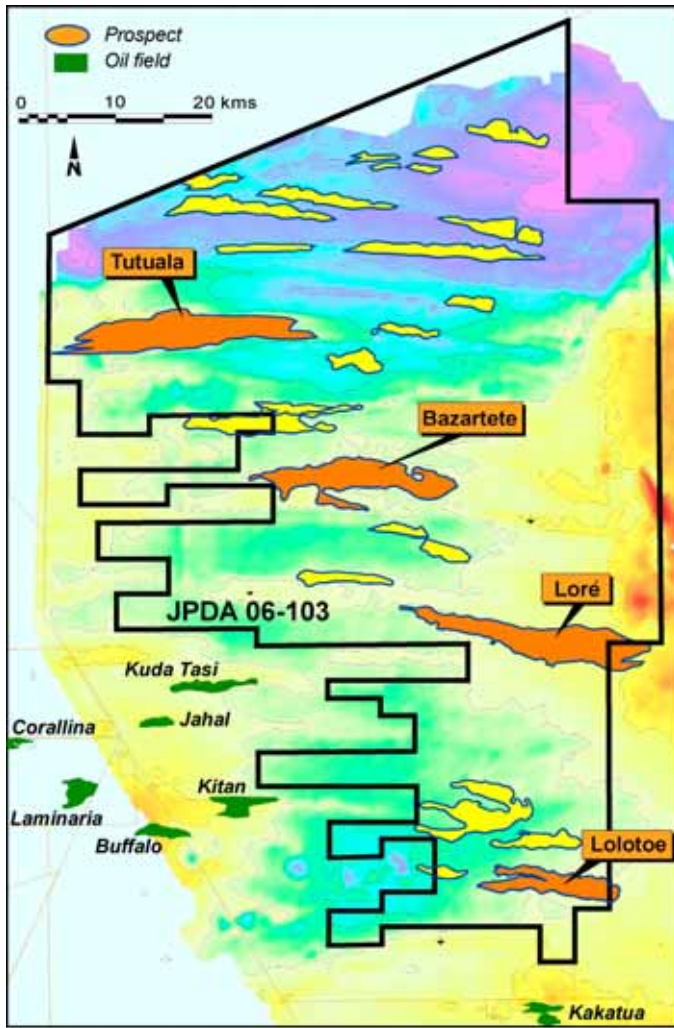
In Oman, Oilex has again teamed up with its Indian partners. Oilex holds a 25% share in the southern Omani onshore block, Block 56, and is operator, GAIL India holds a 25% interest, Videocon 25%, Hindustan Petroleum Corporation 12.5%, and Bharat 12.5%.

Barnes said the block is onshore and relatively shallow, making the wells reasonably cheap to drill.

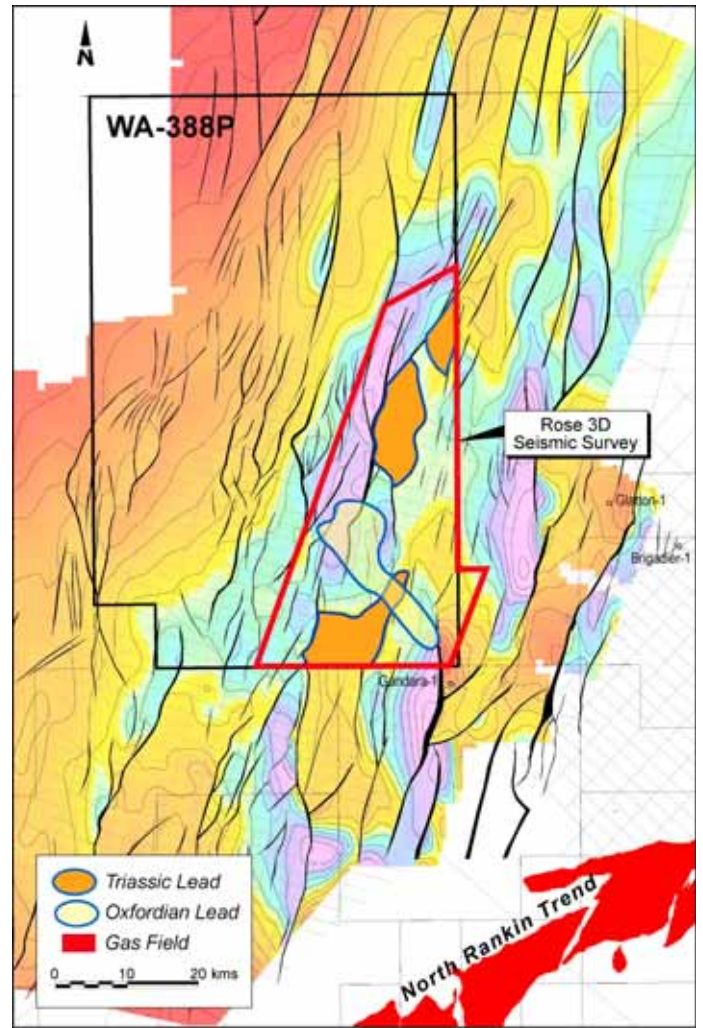
"We've drilled seven wells in the block since it was awarded in August 2006. We've even had a couple of discoveries", he said, noting the issue in the block is the mobility of the oil and the complexity of the reservoir system. "If the oil gravity is 18–25 degrees then you're fine, you'll produce at a reasonable rate, if it's 12–18 then rates are significantly reduced and may not be commercial."

Barnes said Oilex, along with its joint venture partners, is assessing the commerciality of the block.

In Indonesia, Oilex has acreage in the onshore West Kampar PSC in Central Sumatra. Barnes said, with their first well being a discovery well, it is 'a development waiting to happen'. The



JPDA 06-103 prospects and leads map.



WA-388-P prospects and leads map.

project, however, was put on hold after Oilex's partner, Sumatera Persada Energi, was unable to fund its share of the work program.

"There are legal issues there which need to be resolved, and we've been banging away at those for the better part of a year now", Barnes said. "We remain hopeful that a resolution is imminent, but in that environment there is no certainty."

Rounding out its acreage portfolio, Oilex's most recent acquisition is WA-388-P in the Carnarvon Basin on the North West Shelf, Western Australia. Oilex is the operator with a 14% share, GSPC holds a 14% share, Videocon 14%, Hindustan 14%, and Bharat 14%; South African company Sasol farmed in for a 30% interest in 2008.

Barnes said the block, while technically risky, has identified some 'interesting' features on new 3D seismic.

"Our block sits right under the modern day shelf break, a bit like the Pluto field, which introduces significant issues with the geophysics because it's quite rugose; it's been cut by canyons and channels, and that affects the data quality. Hence, people haven't really been able to interpret or see very clearly what's going on the seismic data at depth", he said.

"It took us an additional four or five months processing this data to resolve the data quality issues. Now we think we've got a good quality seismic dataset, and we are starting to see, possibly, some interesting features in the data.

"In terms of the timing for drilling, it's going to take us another two or three months to complete the interpretation and then agree on a plan with our joint venture partners. If we remain encouraged, and are able to identify a suitable drilling rig, we could be drilling in the third quarter of next year."

Barnes said, while continuing to focus on its current projects, Oilex will also look at other opportunities in Australia and neighbouring areas where it can utilise its experience and knowledge.

"We have the funds in place to resume operations in West Kampar, which means moving to develop the Pandalian field and get in production there, and also to accelerate the drilling of a well in the offshore gas play in WA-388-P—if the potential is confirmed a window for marketing substantial gas reserves remains open.

"That's the nature of our business; with its inherent uncertainty, some things work, some things don't, you have to have a portfolio of opportunities to allow for the failures that are going to occur.

"Success is just the next well away, as one has come to learn over the years." ■