



**ASX/Media Release  
5<sup>th</sup> September 2016**

**Pantheon Resources Plc**

**Melbourne, 5<sup>th</sup> September 2016** - Argo Exploration Ltd ("Argo"; ASX Code 'AXT') would like to refer to the announcement by Pantheon Resources Plc ("Pantheon") to the London Stock Exchange (AIM –Quoted) in relation to VOBM#2 well results and update on VOS#1 well Testing and production update.

**For further information please contact:**

Chris Martin - Director

Telephone (03) 9692 7222

Email: [argoexploration@inet.net.au](mailto:argoexploration@inet.net.au)

Or visit the website [www.argoexploration.com.au](http://www.argoexploration.com.au)



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### **VOBM#2 well results and update on VOS#1 well**

Pantheon Resources plc ("Pantheon" or "the Company"), the AIM-quoted oil and gas exploration company with a working interest (of 50%-58%) in several conventional projects in Tyler and Polk Counties, onshore East Texas, announces the cessation of drilling operations at the VOBM#2 well and provides an update on the fracture stimulation remediation process at VOS#1 well.

#### **Update on VOBM#2**

Drilling operations at the VOBM#2 have temporarily concluded, after reaching a measured depth of 16,450 feet in the targeted conventional Eagle Ford sandstone. Although flow testing was not possible, the well has encountered significant hydrocarbons in the objective horizon with natural gas being flared for several days, confirming the presence of a productive reservoir consistent with pre drill expectations.

Drilling of the horizontal section of the well was delayed by a series of equipment failures, causing the operator to replace contractors a number of times. The Eagle Ford sandstone when drilled horizontally apparently presents abnormally abrasive characteristics, often reducing the rate of penetration to less than 2 foot per hour, regularly destroying diamond PDC bits after but a few hours of service. After consultation with service providers, the operator and Pantheon have decided on cost benefit grounds to temporarily suspend drilling operations in favour of plugging back and re-entering at a later time and completing the well vertically as soon as the rig has completed VOBM#3 and the subsequent Tyler County centre basin test. Gross costs for the well are estimated to be between \$5.6m and \$6m.

Both the prospectivity and potential of this prospect are undiminished. The company believes that the significant hydrocarbons encountered whilst drilling the target horizon have further de-risked the prospect, and remain confident that the well will be a commercial discovery when drilled vertically.

#### **Update on VOS#1**

The planned fracture stimulation treatment ("frac") on VOS#1 has been completed. The results of an eight-day flow test are currently being analysed. The frac was designed to penetrate a 25-foot section of the Eagle Ford sandstone formation and 20 feet of the shallower Austin Chalk. The well flowed through a 14/64th inch choke at a sustained rate of c.920 barrels of oil equivalent per day, comprising 5,500 mcf per day natural gas with measurable amounts of condensate. Subsequent pressure buildup readings as the choke sizes were reduced offered convincing evidence that the frac procedure was effective. The well has been shut-in pending the results of the forthcoming basin-centre test to determine optimal pipeline and gas processing options. It will take 3-6 months of production before a more accurate assessment of well flow volumes and ultimate EUR can be determined.

## **Future drilling plans**

The rig which drilled VOBM#2 is now moving to drill the permitted VOBM#3 development well. The pad for the VOBM#3 has already been constructed and is designed to accommodate gas processing facilities. This well will be drilled vertically at an estimated total gross cost of \$3.75m. Once VOBM#3 has been completed, the rig will move to complete the Tyler County centre basin test and then return to re-enter and complete VOBM#2 vertically. With the build out of pipeline and gas processing facilities taking place while the rig is in Tyler County, production from the Polk County development will then begin.

### **Jay Cheatham, the CEO of Pantheon, said:**

"We have experienced a long list of individual challenges in the drilling of the VOBM#2 well, which has delayed the announcement of results. The decision to try horizontal drilling with our second Polk County well, which we hoped would enhance per-well recovery rates, has not worked out as we expected and that technique will not be repeated. This was the first horizontal well ever drilled into this formation regionally and the abrasiveness of the hard sandstone was unexpected. We know that the wells can be drilled quickly and cost effectively vertically, as evidenced in our VOBM1 success nearby, so it makes obvious sense to learn from experience and revert to vertical drilling.

"The frac on VOS#1 has meanwhile confirmed the well as a solid commercial discovery, despite the variable permeability of the reservoir and the blockage encountered in initial drilling. Whilst maximum flow rates did not increase significantly post frac, analysis of the flow test data to date suggests that those rates should be sustainable and increase ultimate reserve recovery.

"The good news is that both the VOS#1 and VOBM#2 wells have encountered significant hydrocarbons in their objective horizons, exactly where we expected to find them, confirming the experience of all three of our initial wells. In all three cases the results are consistent with our original estimates of the likely recoverable Eagle Ford reserves and I expect all three wells to be commercial producers.

"Our priority now is to press on with the next two wells in our programme as quickly as possible, so that we can complete the delineation of what we have found in both Tyler and Polk County and move towards production at the earliest opportunity, optimising recovery rates on a field-wide basis".

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