



ASX/Media Release
22nd May 2017

Pantheon Resources Plc

Melbourne, 22nd May - 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 Operational Update.

Argo continues to hold 7,000,000 fully paid ordinary shares in Pantheon. The value of Argo's investment in Pantheon is ~\$A8.8m as at the date of this announcement.

For further information please contact:

Chris Martin - Director

Telephone (03) 9692 7222

Email: argoexploration@inet.net.au

Or visit the website www.argoexploration.com.au



19 May, 2017

Pantheon Resources plc

Operational Update

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, provides an operational and corporate update.

Shareholder presentations

- Chief Executive, Jay Cheatham will from 12.00pm today commence a series of non-deal roadshow meetings with shareholders, providing an update on the Company's present operations and plans for 2017.

Operations

Gas processing agreement

- Definitive terms agreed with Kinder Morgan, the US's largest energy infrastructure company, to build and operate a 15mmcf/d dedicated gas processing facility for Polk County operations.
- All permits, rights of way, pipeline and the tap in point works have been completed and paid for. Based upon modelled well data, Pantheon believes it should be able to achieve operating and transportation costs in the lower quartile of North American producers, below \$5 per boe.
- A modelled 15mmcf/d gas processing facility running at maximum throughput at today's pricing⁽¹⁾ after taking account of the terms of the accelerated payback arrangement concluded last year, could generate over \$1,600,000 a month of free cash flow net to Pantheon (after royalties and production taxes).
- The objective is to be in production by August/September 2017.

Update on VOBM#4 well, Tyler County, onshore East Texas (Pantheon 50% working interest) Wilcox formation

- The VOBM#4 well was designed as a large step out well to test the extent of the Eagle Ford sandstone in Tyler County. After encountering flowing hydrocarbons in the shallower Wilcox formation the Company attempted to complete the well as a Wilcox producer.
- As detailed in the Company's interim statement on 31 March, 2017, operations within the VOBM#4 well were significantly delayed due to the integrity of pipework within the

wellbore being compromised by the failure of a liner hanger to seal correctly. Multiple cement squeeze jobs were undertaken and were ultimately successful in restoring wellbore integrity.

- An independent reservoir engineering consultancy was contracted by the operator to undertake an analysis of the wellbore conditions following the multiple cement squeeze jobs and to advise on the optimum procedures for successful flow testing. Analysis suggests that cement from the multiple squeeze jobs may have compromised the formation in the immediate area surrounding the wellbore. This is believed to be a localised issue directly as a result of the intervention of the cement and does not in any way impact the prospectivity of the reservoir. Accordingly it has been concluded that the most effective remediation technique is to retrace partially back up the hole and to drill sidetrack to present a clean wellbore for production testing. Planning for the proposed sidetrack is presently underway and operations will commence as soon as equipment and services are available.
- The third party consultants also concluded that based upon analysis of well logs and drilling data that the Wilcox in this location has outstanding potential.

Update on VOBM#2H well, Polk County, onshore East Texas (Pantheon 58% working interest)

- Operations to complete and flow test VOBM#2H have been complicated because of the requirement to re-enter the suspended horizontal wellbore and to drill a deviated well path from within the original lateral section, causing a number of technical challenges.
- Third party reservoir and completion consultants were contracted to advise on the optimum completion and testing methodologies given the wellbore constraints. Analysis suggests that the wellbore has suffered skin damage, most likely caused by the low drilling penetration rates pulverizing the hard sandstone into very fine particles during the drilling of the deviated section in the target horizon. Skin damage is not an uncommon consequence in horizontal drilling and Pantheon and Vision are presently working with the consultants to determine the optimal completion technique.
- The third party consultants have assessed well logs, seismic and other well data as part of their analysis and have concluded that the VOBM#2H well has the potential to be an upper tier well, subject to successful completion and flow testing. Well logs and seismic signatures compare favorably with those of the VOBM#1 and nearby Double A Wells field wells.
- The VOBM#2H well is located between VOBM#1 and VOBM#3 wells, both of which are commercial discoveries. The well exhibits excellent log and seismic responses. Pantheon believes the potential for this well to be significant.
- Final analysis is presently being concluded and the Company anticipates that the likely treatment will most likely be either an aggressive acid job or a small fracture stimulation. Work will commence as soon as the equipment is available.

Corporate

- As at 17 May, 2017 the Company has cash reserves on hand of \$4.7m and is funded for present operations. An additional \$0.6m has already been paid to cover pipeline, rights of way and surface facilities for the gas processing facility.

Economics

- A modelled 15mmcf/d gas processing facility running at maximum throughput at today's pricing(1) after taking account of the terms of the accelerated payback arrangement concluded last year, could generate over \$1,600,000 a month of free cash flow net to Pantheon (after royalties and production taxes).
- The VOBM#1 well alone, at tested flow rates on a 12/64ths choke could generate c.\$700,000 free cashflow per month to Pantheon on the same terms. Such a well should pay back the cost of drilling a modelled Polk County vertical well within three and half months, consistent with management's objective of working towards a self-financing drilling programme, minimizing equity dilution. Larger choke apertures can produce disproportionately larger flow rates.
- For perspective, a stand-alone Wilcox well is estimated to cost \$2.5m on a 100% basis, and a vertical Eagleford Sandstone well in Polk County is estimated to cost \$4.5m on a 100% basis.

Jay Cheatham, CEO of Pantheon Resources said:

"I am very pleased to announce that definitive terms have been agreed with Kinder Morgan to build and operate a 15mmcf/d gas processing facility in Polk County. This is a key moment for Pantheon in its progression to production revenues and supports our objective to self-fund operations.

"The issues we have encountered have not impacted the potential of the project in any way; rather they are operational only and specific to the individual wellbores. In fact, the Wilcox discovery has the potential to add significant additional value for shareholders and the potential for the Eagleford is undiminished.

"A side-track of the VOBM#4 well in Tyler County is the prudent next step. During drilling, the Wilcox flowed hydrocarbons into the well bore continuously all the way to total depth despite very high mud weight. This is a very promising sign. The multiple cement squeeze jobs performed to repair the liner hanger seal leak appear to have compromised the formation in the immediate area of the wellbore. However, based on log analysis and drilling data we are confident the sidetrack could be a superb Wilcox well with great additional potential on our existing acreage.

"The VOBM#2H well presented a unique set of issues associated with horizontal drilling through the hard Eagle Ford sandstone at low penetration rates. Third party consultants confirmed our belief that VOBM#2H has the potential to be an outstanding well, which compares favourably with better wells in the analogous Double A Wells field. The issue is how to best deal with well bore skin damage from silica fines. This is a mechanical issue which we believe is solvable.

"The geology in Polk and Tyler County has actually improved with the Wilcox discovery. Each well has found hydrocarbons. In fact, VOBM#4 found 2 previously unmapped zones. Despite the operational challenges faced, our enthusiasm is undiminished and the size of the prize for shareholders has increased."

Footnote

(1) Assumptions: \$49 per barrel oil (WTI), \$3.20 mmBTU gas, calculated after royalties and production taxes.

Glossary

mmcf/d	million cubic feet per day
mcf/d	thousand cubic feet per day
mmBTU	million British thermal units