



[www.centralpetroleumlimited.com.au](http://www.centralpetroleumlimited.com.au)



**Central Petroleum Limited**

**Date of Lodgement: 9/5/12**

**Title: "Company Insight – Surprise Update"**

**Highlights of Interview**

- Dalton Hallgren, new Acting CEO, discusses his 'business as usual' focus for work on the appraisal of Surprise-1 REH
- The 3D and 2D seismic data acquisition is due to commence shortly, while preparatory work for the extended production test is on schedule
- Mr Hallgren discusses the applicability of his extensive US drilling experience to the conditions found at Surprise
- The potential of Central's Amadeus Basin acreage in the EP-115 Block where Surprise is located, and beyond, is starting to be recognised by the industry

**Record of interview:**

Central Petroleum (ASX CTP: market capitalisation of ~A\$129 million), which recently announced the successful flow testing at 380 barrels of oil per day from its Surprise-1 REH well in the Amadeus Basin the Northern Territory, has a new Acting CEO, Dalton Hallgren.

**companyinsight.net.au**

How has your role been affected by all the changes and disturbances at Central Petroleum over the past few weeks?

**Acting Chief Executive, Dalton Hallgren**

Actually, my role has not been affected all that much, as most of the corporate actions are being handled by our legal and company secretarial teams.

My focus continues to be centred fair-and-square on the appraisal of the Surprise-1 re-entry oil discovery and the extended production test that we'll conduct in the near term; and also, the ongoing exploration and development of our other prospective assets in central Australia. In other words, it's business as usual for me.

**companyinsight.net.au**

So – what exactly does 'business as usual' mean for you and the Company? What does it mean in specific terms, for instance, at Surprise?

## **Dalton Hallgren**

Since we've made a significant oil discovery, it is my strong view – and it's a view shared by our whole team – that Surprise needs to be carefully engineered to maximise the ultimate return to all shareholders.

First, both 3D and 2D seismic data acquisitions are required and this work, which is due to commence shortly, will provide the data we'll need to further define the Surprise structure. That means we can maximise the efficiency and reduce the risk associated with further appraisal drilling and development. This work will also help identify those adjacent structures which have good potential as drillable targets.

There's also a lot of activity associated with Surprise's extended production test in terms of infrastructure for producing the oil, permitting, and the sales and transport agreements. We've been working diligently on all those aspects, and everything is currently progressing as scheduled. We should be ready in the near term to finalise the build of the surface equipment, and then to start flowing the oil.

All the operational projects associated with the Surprise discovery are keeping me and the Company's technical team very busy at the moment. To take an exploration company and move it to a production company is quite a task, and some steps have taken us a little longer than originally expected. We've had the usual hold-ups with getting equipment built and so on, but we're moving forward really well.

## **companyinsight.net.au**

What is your background in oil and gas exploration and development?

## **Dalton Hallgren**

I came out of the active duty US Services and my goal initially was federal law enforcement – but because there was a hiring freeze I ended up roughnecking to raise money for college. On one of the wells I was working on, an old Texas company man for Hess thought I was a pretty bright guy who worked hard, and convinced me to become an engineer, so I took his suggestion and completed a Bachelor of Science degree in Petroleum Engineering from the University of Montana (Montana Tech). I was an unconventional student because I roughnecked and drilled at the same time as studying – so I guess I had a pretty busy schedule.

When I graduated, I went back to drilling, as there wasn't a high demand for engineers in the early 1990s. Within a couple of months, I was picked up as a directional hand, then after a couple of years, I managed a directional company. I then went to work with Halliburton Project Management as a drilling engineer/supervisor, working my way up to drilling superintendent. I then worked for Boots & Coots as a Senior Well Control Engineer. Given my directional background a lot of my work was planning, developing and drilling the technically challenging relief wells. I was then hired as a Drilling and Completions Manager for a junior operator in the US to develop their acreage prior to coming to work for Central.

I've seen the industry from the bottom up; seen a lot of both the practical and theoretical sides; and I've worked in many different basins within the United States and all around the world.

I have about 20 years of experience in oilfield exploration, appraisal and development, as a manager and drilling engineer. I've worked extensively in the Marcellus, Bakken, Haynesville and Barnett

shale gas and oil plays in the US. I've managed the drilling of numerous horizontal multi-stage-fraced wells in these plays for companies such as Halliburton Project Management, Burlington Resources, Headington Oil, St Mary, Peak, Encana, Hess, Marathon and Conoco.

I've been involved in drilling unconventional wells since the late 1990s in the Bakken and Barnett shales – and I've learned some of the best ways of maximising production in these shale plays. We first started out just open footprint single stage fracing, and through the development process to multi-stage-fracing. When I was contacted about coming to work for Central Petroleum in Australia, they were looking for someone with unconventional expertise to avoid having to reinvent the wheel here in Australia, and so we could utilise the time-tested lessons learned in the US to develop Australia's unconventional plays.

### **companyinsight.net.au**

You were credited with the idea to horizontal-drill Surprise – a key ingredient in that great result. What techniques did you and your team use on the Surprise structure, and what are the next exploration, drilling and assessment steps?

### **Dalton Hallgren**

I came into the Surprise operation just as they were starting to drill, and after reviewing the core and looking at the thickness of the permeability streak, I realised that Surprise resembled another sand-play I'd completed in the US called the Tyler/Heath sand. My team and I convinced Central's Board into adjusting the plan and drilling a horizontal well – which we could do for about the same cost of the originally planned sidetrack.

So we drilled down to the maximum depth that our particular rig could handle, leaving our lower horizon targets for a later date. We then pulled back up and did our horizontal sidetrack. We utilised what we call geosteering using vertical offset logs and a gamma tool - we steered the horizontal through the different lithologies in the rock – targeting the streak we wanted to drill. Doing this, we drilled the small horizontal at Surprise to within a metre or thereabouts of our target. We'll be continuing to employ these and other techniques I've brought across as we pursue our targets and develop our properties

In terms of 'next steps', we'll start acquiring 3D and 2D seismic data over the Surprise and adjacent structures later this month, having recently awarded the contract to Terrex Seismic. We'll then process and interpret the data, and we'd expect the results to be completed by September or October 2012.

Our completion and production engineers are out in the field now, pulling plugs and running the downhole sensors in preparation for the extended production test due to commence the end of this month or early next month. We're also negotiating a sales contract which we hope to finalise soon.

It's also pretty likely that additional development drilling at Surprise will be conducted, but all the decisions here will have to await the outcome of the current seismic and extended production testwork. Ideally we would like to create a developmental project within the EP-115 Block, where Surprise is located, because of the great potential we think should be able to be realised.

### **companyinsight.net.au**

What do you think Surprise means for the overall prospectivity of Central Petroleum's broader acreage in central Australia?

## Dalton Hallgren

This is the first oil flow to surface in the Northern Territory since the Mereenie oil field in the mid-1960s and I believe it's the first Australian onshore horizontal well that has produced oil-to-surface.

Surprise-1 REH is approximately 160 kilometres west of the Mereenie oil field and the work done in both areas indicates that there is the combination of oil generation, migration and oil trapping present across the Amadeus Basin area. Surprise – along with the Johnstone West #1 well – has given us a lot of valuable knowledge, and we think we can utilise some newer techniques and the lessons we've learned from similar environments overseas to sharpen our thinking and reduce Central's ongoing exploration risk.

Overall, the Surprise discovery has meant the potential of our acreage in central Australia is starting to be recognised. Moreover, with our large onshore acreages, we're well placed to capitalise on the opportunities in the current market. But I'm pretty focused and so is our team. Surprise was the biggest event in this Company's history, and we're working hard to engage our skills and take this discovery to the next stage.

**companyinsight.net.au**

Thank you, Dalton.

**To read past Company Insights please visit [companyinsight.net.au](http://companyinsight.net.au)**

DISCLAIMER: Gryphon Management Australia Pty Ltd trading as Company Insight has taken reasonable care in publishing the information contained in this Company Insight. It is information given in a summary form and does not purport to be complete. This is not advice. The information contained herein should not be used as the basis for making any investment decision. You are solely responsible for any use you choose to make of the information. You should seek independent professional advice before making any investment decisions. To the fullest extent permitted by applicable law, Company Insight is not responsible or liable for any consequences (including, without limitation, consequences caused by negligence) of any use whatsoever you make of the information, including without limitation any loss or damage (including any loss of profits or consequential loss) suffered by you or a third party as a result of the use.

*Central is not the sole source of the information in the Gryphon Management Australia Pty Ltd report ("Company Insight") referred to above and Central has not verified its content. The content of the Company Insight report may have been derived from outside sources and may be based on assumptions and other unknown factors and is being passed on for what it's worth. The Company Insight report is not intended to be comprehensive nor does it constitute legal or other professional advice. The Company Insight report should not be used or relied upon as a substitute for professional advice which should be sought before applying any information in the Company Insight report or any information or indication derived from the Company Insight report, to any particular circumstance. The Company Insight report is of a general nature and does not take into account your objectives, financial situation or needs. Before acting on any of the information in the Company Insight report you should consider its appropriateness, having regard to your own objectives, financial situation and needs. To the maximum extent permitted by law, Central gives no undertaking, representation, guarantee or warranty concerning the truth, falsity, accuracy, completeness, currency, adequacy or fitness for purpose of the any information in the Company Insight report.*

*Any results or conclusions reported herein are based on preliminary data analysis and may be subject to change as more data becomes available. Nothing in this report represents or should be construed to represent any conclusions as to the ultimate flow capability of the well or to its commercial significance. Such conclusions must await, inter alia, further cleanup flow testing, extended production testing, data analysis and economic studies of potential commercial production and marketing scenarios.*

**NOTICE:** *The participating interests of the relevant parties in the respective permits and permit applications which may be applicable to this announcement are:*

- EP-82 (excluding the Central subsidiary Helium Australia Pty Ltd ("HEA") and Oil & Gas Exploration Limited ("OGE") (previously He Nuclear Ltd) Magee Prospect Block) - HEA 100%
- Magee Prospect Block, portion of EP 82 – HEA 84.66% and OGE 15.34%.
- EP-93, EP-105, EP-106, EP-107, EPA-92, EPA-129, EPA 130, EPA-131, EPA-132, EPA-133, EPA-137, EPA-147, EPA-149, EPA-152, EPA-160, ATP-909, ATP-911, ATP-912 and PELA-77 - Central subsidiary Merlin Energy Pty Ltd 100% ("MEE").
- The Simpson, Bejah, Dune and Pellinor Prospect Block portions within EP-97 – MEE 80% and Rawson Resources Ltd 20%.
- EP-125 (excluding the Central subsidiary Ordiv Petroleum Pty Ltd ("ORP") and OGE Mt Kitty Prospect Block) and EPA-124 – ORP 100%.
- Mt Kitty Prospect Block, portion of EP 125 - ORP 75.41% and OGE 24.59%.
- EP-112, EP-115, EP-118, EPA-111 and EPA-120 - Central subsidiary Frontier Oil & Gas Pty Ltd 100%.
- PEPA 18/08-9, PEPA 17/08-9 and PEPA 16/08-9 - Central subsidiary Merlin West Pty Ltd 100%.

**General Disclaimer and explanation of terms:**

*Potential volumetrics of gas or oil may be categorised as Undiscovered Gas or Oil Initially In Place (UGIIP or UOIIP) or Prospective Recoverable Oil or Gas in accordance with AAPG/SPE guidelines. Since oil via Gas to Liquids Processes (GTL) volumetrics may be derived from gas estimates the corresponding categorisation applies. Unless otherwise annotated any potential oil, gas or helium UGIIP or UOIIP figures are at "high" estimate in accordance with the guidelines of the Society of Petroleum Engineers (SPE) as preferred by the ASX Limited but the ASX Limited takes no responsibility for such quoted figures. As new information comes to hand from data processing and new drilling and seismic information, preliminary results may be modified. Resources estimates, assessments of exploration results and other opinions expressed by CTP in this announcement or report have not been reviewed by relevant Joint Venture partners. Therefore those resource estimates, assessments of exploration results and opinions represent the views of Central only. Exploration programmes which may be referred to in this announcement or report have not been necessarily been approved by relevant Joint Venture partners and accordingly*

constitute a proposal only unless and until approved. All exploration is subject to contingent factors including but not limited to weather, availability of crews and equipment, funding, access rights and joint venture relationships.

This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Central. These risks, uncertainties and assumptions include (but are not limited to) commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward looking statement in this document is valid only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, or any other Listing Rules or Financial Regulators' rules, Central, its agents, directors, officers, employees, advisors and consultants do not undertake any obligation to update or revise any information or any of the forward looking statements in this document if events, conditions or circumstances change or that unexpected occurrences happen to affect such a statement. Sentences and phrases are forward looking statements when they include any tense from present to future or similar inflection words, such as (but not limited to) "believe," "estimate," "anticipate," "plan," "predict," "may," "hope," "can," "will," "should," "expect," "intend," "is designed to," "with the intent," "potential," the negative of these words or such other variations thereon or comparable terminology, may indicate forward looking statements.