

ASX CODE: ETE

2 APRIL 2013

## **ENTEK PARTNERS WITH EAST RESOURCES FOR NIOBRARA OIL RESOURCE PLAY**

Entek Energy Limited is pleased to advise that it has closed the previously announced transaction over part of its Niobrara Oil Resource Project with an affiliated company of East Resources ("East") (refer ASX release dated 8 January 2013).

### **EAST RESOURCES / BATTLE MOUNTAIN AMI**

East is a successful private US E&P company with a strong track record and technical expertise in US unconventional shale plays including previous exposure to the Niobrara in the Sandwash Basin (a Sub-basin of the Green River Basin) as discussed further below. With the closing of this transaction East has now assumed operatorship with East holding an 80% interest and Entek holding the remaining 20%. This jointly held leased area together with an agreed area of mutual interest (AMI) for additional joint future leasing, is now referred to as the "Battle Mountain AMI" which is separate from the Focus Ranch area that has been retained by Entek. Entek holds approximately 14,000 net acres within the Battle Mountain AMI (covering approximately 79,000 gross acres).

As previously announced, in addition to the approximately US\$7.1 million cash payment received by Entek for assigning a 35% interest in the Battle Mountain AMI leases to East, Entek will be free-carried by East during an initial work program over the subject area comprising an approximate 90 square mile 3D seismic survey plus three exploration wells. There is no cost limit applying to the free carry to Entek for this work program and East will be able to recover all costs relating to just the three wells from any future production therefrom.

East have already deployed their operating team into the area for the planning and preparation of the seismic survey which is expected to be undertaken this year subject to receiving all pre-requisite regulatory approvals. Whilst it is possible for drilling operations by East to commence later this year, it is more likely for the three well program to be undertaken in 2014 in order to take full advantage of the newly acquired modern 3D seismic data.

The seismic survey extending over most of the Battle Mountain AMI is being designed to identify highly fractured zones within the Niobrara shale which will then be targeted with vertical and horizontal wells to maximize flow rates and recoverability. It will be the first time that 3D seismic is being acquired over this area and the results from this are expected to considerably improve our understanding of the underlying fracture distribution and orientation which are critical aspects in advancing and developing this unconventional oil resource.

East has previously held an extensive acreage position to the south of the Battle Mountain AMI which they had sold as part of a larger asset deal to Shell in 2010 totaling some US\$4.7 billion. Their return to the Sandwash Basin Niobrara play now as part of this new partnership with Entek is testament to their confidence in the potential of this oil play which is also being shared by the likes of Shell, Quicksilver

and Occidental (to name only a few) who have built very substantial acreage positions over the last few years in this area.

Given Entek's experience and established relationships in the area, we will work closely with East on this initial exploration program and will also continue to provide land management services to them during the transition phase out of our Denver and field offices.

Resulting from this transaction (which also involved Emerald Oil Inc. "Emerald"), Entek now owns 100% of all rights in the three existing Niobrara production wells (C&C Cattle 18-8, Battle Mountain 14-10 and SD Federal 24-9) as well as the rights to the shallow formations and all infrastructure on the Slater Dome Structure. In addition, Entek has retained its approximate 50% interest in and operatorship of the gas export pipeline which starts at Slater Dome and terminates at the point of sale in Baggs (Wyoming).

## **FOCUS RANCH UNIT AMI**

As previously announced, Entek has retained its 55% interest and operatorship of the Focus Ranch Unit AMI and associated leases which make up 18,000 net acres to Entek (covering approximately 38,000 gross acres). Emerald has also retained its 45% interest in the AMI.

The Focus Ranch Unit area is considered highly prospective due to the extensive distribution of volcanic intrusives that are interbedded within the Niobrara shale benches in this particular area as evidenced by relatively strong unstimulated flow results from historical vertical wells in the Unit. This particular geological feature has strong potential to provide superior flow rates and well recoverability as is evident from analog fields where volcanic intrusives (also known as sills) exist.

Our immediate task is to re-establish access into relevant areas of the Focus Ranch Unit where previous wells have been drilled and successfully flow tested. Our ability to access this area has been held up by surface owner issues and related court hearings since 2010 but we remain confident of resolving these matters over the coming months in time for the 2013 drilling season. On the basis that this is achieved, the likely work program would involve an extensive testing program of the existing Focus Ranch 12-1 well which has been shut in since 2009. This well has previously achieved a combined flow rate totaling 240 BOPD and 1.0 MMCFD on an unstimulated basis from all individually tested horizons.

In addition, we are planning to drill an additional well, with the option of adding a horizontal lateral completion, based on the existing geological control provided by the Focus Ranch 12-1 well and the Focus Ranch 3-1 well which in addition to the already positive flow test results from the 12-1 well had strong shows and log characteristics evidencing volcanic sills.

Given the existence of these prior wells, this work program is considered relatively low risk from a geological perspective in order to demonstrate the commercial flow potential from this area which alone would add considerable value to these leases. Importantly, with cash reserves totaling some US\$15 million subsequent to closing of the East transaction, Entek is well funded to undertake the Focus Ranch Unit work program during 2013 and beyond.

The attached map illustrates the lease and infrastructure ownership position of Entek's assets in the Sandwash Basin subsequent to the closing of the subject transaction. Entek's total net acre position is approximately 35,000 net acres covering some 122,000 gross acres.

*Commenting on the new partnership, Entek's Managing Director Trent Spry said -*

*We are extremely pleased to have been able to secure a new partner with the technical and financial strength of East. Their prior involvement and technical understanding of this play will add considerable depth to our ability to advance and develop the Niobrara in our area.*

*East's significant investment in this area as part of buying into these leases and undertaking an extensive and methodical work program should provide Entek shareholders with a renewed high level of confidence about the strong potential of the play. This confidence is further supported by the level of exploration activity and associated well flow results from our larger industry peers in neighboring areas.*

*This transaction has considerably strengthened Entek's position and our ability to add significant value to this asset in the short to medium term. We look forward to working closely with our new partner and expect to provide further updates on the timing and scope of the 2013 work program in due course."*

For further information contact.

**TRENT SPRY**  
**MANAGING DIRECTOR**

+618 9213 4388

[info@entekenergy.com.au](mailto:info@entekenergy.com.au)

**Competent Persons Statement:**

Information in this report that relates to Hydrocarbon Reserves/Resources is based on information compiled by Mr. Trent Spry, Executive Director of Entek Energy Limited who has consented to the inclusion of that information in the form and context in which it appears. Mr. Spry is highly qualified and has over 20 years experience in geoscience in the petroleum industry, both in Australia and internationally.

