

TELETYPE MESSAGE TELETYPE MESSAGE TELETYPE MESSAGE

AS YOU ARE AWARE, WE HAVE BEEN ATTEMPTING TO CONDUCT DRILL STEM TESTS IN TILANA NO. 1 TO EVALUATE HYDROCARBON INDICATIONS NOTED IN GAS RECORDINGS WHILE DRILLING, OIL SHOWS IN SIDEWALL CORES AND HYDROCARBON SATURATIONS CALCULATED FROM THE WIRELINE LOGS. MECHANICALLY, WE HAVE BEEN SUCCESSFUL IN CONDUCTING THREE TESTS, BUT THE RESULTS HAVE BEEN INCONCLUSIVE BECAUSE WE HAVE BEEN UNABLE TO OBTAIN ANY FORMATION FLUIDS. THE REASONS FOR THESE INCONCLUSIVE RESULTS ARE BRIEFLY DISCUSSED BELOW.

THE PRIMARY ZONE OF INTEREST IS THE INTERVAL 2950M - 3200M. DURING THE DRILLING OF THIS INTERVAL IT WAS NECESSARY TO HAVE THE MUD WEIGHT SLIGHTLY OVER BALANCED (VERSUS THE FORMATION PORE PRESSURE) IN ORDER TO INHIBIT SLOUGHING OF THE VOLCANIC SECTION ABOVE. NO FORMATION DAMAGE LIKELY OCCURRED AT THIS POINT, BUT AS WE DEEPENED THE WELL WE ENCOUNTERED MORE VOLCANICS AND IT BECAME INCREASINGLY DIFFICULT TO CONTROL THE WELL BORE TO THE POINT WHERE OUR MUD WEIGHT HAD TO BE INCREASED TO 10.1PPG AT 3900 METERS AND ULTIMATELY RESULTED IN OUR DECISION NOT TO DRILL DEEPER. THIS INCREASED MUD WEIGHT CAUSED DEEP INVASION OF OUR PRIMARY ZONE OF INTEREST AND APPARENTLY CAUSED SIGNIFICANT FORMATION DAMAGE AS EVIDENCED BY OUR TEST RESULTS. IN ALL THREE TESTS WE WERE UNABLE TO GET THE FORMATION TO YIELD FORMATION FLUIDS AND/OR GAS AS WAS ANTICIPATED. ALL THREE TESTS FLOWED VERY SLOWLY, LESS THAN 3 BARRELS PER HOUR, AND THE ONLY FLUIDS RECOVERED WERE MUD FILTRATE (DRILLING AND COMPLETION FLUIDS) AND A SMALL QUANTITY OF GAS THAT WAS ABLE TO TRICKLE THROUGH THE BLOCKED FORMATION. THIS POOR FLUID RECOVERY OCCURRED DESPITE THE FACT THAT WE PERFORATED SIGNIFICANTLY (1500+PSI) UNDER PRESSURE.

DESPITE THE FACT THAT WE HAVE BEEN UNABLE TO GET THE TEST FORMATIONS TO CLEAN UP SUFFICIENTLY TO SUSTAIN A FLOW, WE ARE STILL CONFIDENT THAT THEY CONTAIN FREE, PRODUCIBLE HYDROCARBONS. HOWEVER, FURTHER ATTEMPTS TO TEST THIS PARTICULAR WELL WOULD REQUIRE TIME CONSUMING, COSTLY STIMULATION PROCESSES WHICH ARE NOT WARRANTED GIVEN THE CURRENT UNKNOWNNS. WE DO NOT HAVE ADEQUATE SEISMIC CONTROL TO DISCERN THE TYPE AND SIZE OF THE TILANA TRAP AND THUS THE RELATIVE POSITION OF TILANA NO. 1 THERETO AT THE OBJECTIVE 3000 METER LEVEL. ADDITIONAL SEISMIC AND POST DRILLING EVALUATION OF THIS WELL WILL BE REQUIRED TO DETERMINE IF A POTENTIALLY ECONOMIC ACCUMULATION, WHICH WOULD WARRANT FURTHER EXPLORATION, COULD EXIST.

AS DISCUSSED WITH YOU AT THE TIME THE TILANA NO. 1 WELL WAS PROPOSED, OUR PRIMARY REASON FOR DRILLING THIS WELL AT THIS TIME (AHEAD OF KOORKAH NO. 1 IN T/18P) WAS TO HOPEFULLY FIND SUFFICIENT ENCOURAGEMENT TO WARRANT DECLARING A LOCATION AND THUS MINIMIZING OUR RELINQUISHMENT REQUIREMENT AT RENEWAL TIME IN JANUARY, 1987. WE BELIEVE WE HAVE MET THIS OBJECTIVE THROUGH THE SHOWS OF HYDROCARBONS RECORDED DURING DRILLING AND THE HYDROCARBON SATURATIONS CALCULATED FROM WIRE LINE LOGS, EVEN THOUGH WE HAVE BEEN UNSUCCESSFUL IN CONFIRMING THIS THROUGH OUR TESTING. TO ASSIST IN OUR FORWARD PLANNING AND ENTHUSIASM, WE WOULD APPRECIATE CONFIRMATION THAT AN APPLICATION FOR A 'LOCATION' OVER TILANA WOULD BE APPROVED BY THE DESIGNATED AUTHORITY.

VERY TRULY YOURS,

C.W. WARING,
PRESIDENT,
AMOCO AUSTRALIA PETROLEUM COMPANY

CWW/BW

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