

New partners ramping up for west coast exploration

By JOHN HANRAITY

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Bolstered by two new farm-in partners, Canadian Imperial Venture Corp. (CIVC) of St. John's is on the hunt for oil again on and near the Port au Port Peninsula.

After financial difficulties for several years, CIVC's role is reduced this time, but it still holds the principal leases involved.

The operator for the new project is PDIP Production Inc (PDIP), with headquarters in St. John's. Another company involved is Gestion Resources of the United Kingdom. Unlike CIVC, both are privately held companies.

Corporate 'rebirth'

"In the last 10 months, there has been a rebirth of Canadian Imperial," said Steve Millan, CEO of that company.

"With our new partners ... we now have a much bigger, better team to make this venture profitable."

He said their annual meeting was being held for the first time in Stephenville to introduce their new partners to the local community.

After a brief business meeting, all three companies made presentations on prospects and plans for the short term.

On behalf of CIVC, Millan reviewed the development plan from several years ago, and the options that are possible if and when commercial quantities of oil are extracted.

"We won't know which of these to pursue until (testing) the wells at Garden Hill South and) knowing what our reserves are."

Besides its onshore permit from the provincial government, CIVC holds two offshore permits (including Port au Port Bay) from the Canada-Newfoundland and Labrador Offshore Petroleum Board.

However, these expire Jan. 16, 2007. CIVC is seeking an extension



Some of those attending the annual general meeting of CIVC in Stephenville last week included (from left) company directors Damien Minty, Kirby Mercer, Jack Bolter, Gerard Edwards and Robert Smiley. — Photo by John Hanraity/The Georgian

similar to what it recently acquired from the provincial government for its onshore lease.

Millan discussed the experience of Hunt Oil and its partners in and around the peninsula in the 1990s, as well as CIVC's efforts since then.

He said in the past couple of years, many potential partners have examined the play in depth and all agreed with CIVC's basic assessments about its potential. He reviewed the area's geology and his company's interpretation of it.

Barath Rajgopal, CEO of PDIP and chairman of Gestion Resources, was on his first visit to Stephenville. He told those assembled there is a move to merge Gestion with PDIP.

Rajgopal said the companies pride themselves on the amount of planning they do prior to starting a project.

He said he is confident that Port au Port No. 1 Sidetrack No. 2 well will produce between 450 and 700 bar-

rels a day once a problem with mud is cleared up.

In addition to re-entering Garden Hill South, the partners plan 3D seismic surveys of the Garden Hill North prospect, and will also look at side-tracking the Shoal Point well drilled by PanCanadian (now EnCana) in 1999.

Mick Hibbert, general manager of PDIP, said a number of contracts are already in place, and funds deposited with the provincial government.

Continuity concerns

One major concern is continuity. When they bring drilling equipment into the area, they want to be able to move it around efficiently from one site to another if possible, so this will require complex scheduling.

"When we bring drilling equipment here, we want to make sure we can hold on to it," Hibbert said.

He said the partners have already completed a cleanup program at

Garden Hill South, including the removal of waste products and debris, and the cleaning of storage tanks.

They have received approval in principle from the government for a work plan for developing the property.

Regarding other contracts, they have obtained a number of quotes for each major item and produced contract estimates.

"We have done thousands of cost estimates and we are quite encouraged by how these are shaking down."

He discussed in some detail the replacement of the wellhead and

"Christmas tree" at the surface of the well. There is a pump problem that could be solved by an innovation he worked on and helped develop several years ago.

The project schedule includes an extended well test to prove the reserves.

The test could run anywhere from three days to two months, and the longer the better.

If reserves prove satisfactory, they will quickly move into an early production stage.

Data from the test will enable the partners to firm up a number of different options for the future, as well as hopefully helping their cashflow.

Looking for new refiner

One important difference in drilling this time is that any oil produced may not be sold to the refinery in Come By Chance.

The Garden Hill oil is high quality but Come By Chance does not need high quality oil and will not pay a premium price for it. So, this time, the partners are investigating selling the oil elsewhere to recover a higher revenue from it.

So far, PDIP and Gestion have spent \$1.5 million on engineering, deposits with government and site preparation.

Beyond that, they have total commitments of another \$4.42 million. Hibbert said all financing is in place for the planning and execution of those commitments.

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