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FAR discovers a potential billion barrels of oil

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Cairn Energy gave initial gross oil-in-place numbers of 250 million barrels to 2.5 billion barrels, with a most likely number of 950 million barrels. **Photo: Jessica Shapiro**

Angela Macdonald-Smith

Junior explorer FAR has welcomed a potentially huge oil discovery in its acreage off Senegal in West Africa, that could have a billion barrels of oil in place or more.

The find, reported late Tuesday by FAR's senior partner in the drilling venture, London-listed Cairn Energy, has the potential to be a stand-alone oil project and could be "transformational" for FAR, said the company's managing director, Cath Norman.

FAR placed its shares, which last traded at 10¢, in a trading halt on Monday ahead of news on the well, giving the explorer a market value of \$270 million.

The FAN-1 exploration well, drilled by the Cajun Express rig, found oil over a total interval of more than 500 metres, with the "net" reservoir given as 29 metres.

Cairn chief executive Simon Thomson described the find as "a very substantial oil-bearing interval which may have significant potential as a stand-alone discovery".

Cairn gave initial gross oil-in-place numbers of 250 million barrels to 2.5 billion barrels, with a most likely number of 950 million barrels, which it said were broadly in line with estimates before the well was drilled.

Mr Thomson noted that the drilling success also upgrades the prospects of the block overall, given a working petroleum system has now been proven. Further drilling is being discussed with joint venture partners and is being targeted for 2015 onwards, he added.

Cairn owns 40 per cent of the exploration venture and is the operator, while ConocoPhillips has 35 per cent, FAR 15 per cent and Petrosen, the national oil company of Senegal, 10 per cent.

"We have encountered a very substantial oil bearing interval which has potential to be a significant standalone development," Ms Norman said.

"Confirmation of a proven hydrocarbon system materially upgrades the potential of the multiple deep fan and shelf edge prospects that FAR has identified in the blocks. The FAN-1 oil discovery is an important event for Senegal and the joint venture and could be transformational for FAR."

The FAN-1 well was the first exploration well in a two-well program off the Senegal coast, with the second well, SNE-1, to be drilled immediately afterwards. It is a pure exploration well and won't be used for production, FAR has said. The oil and gas group is not paying anything for the drilling as the costs are being born by its venture partners.

Estimates prior to drilling at FAN-1 pointed to a potential field that could hold 900 million barrels of oil in place, of which FAR's share would be 135 million barrels. The SNE-1 prospect is targeting 550 million barrels of oil, of which FAR's share would be about 83 million barrels.

The Australian Financial Review



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