



*News Release*

16 Nov 2012

## **Anna's Road Re-Spud to Delay Well Completion by Four Weeks**

We have made a decision to re-spud our well at Anna's Road. Re-spudding entails discontinuing our current well and preparing another about 10 feet away from the original. Re-spudding wells is common practice in the industry.

The consequence of this is that the completion of our drilling operations at Anna's Road will be delayed by about four weeks. As part of our commitment to transparency on all operational issues, we have decided to lay out the background to our decision to re-spud the well.

We drilled without incident to about 2000 ft., a little more than 1/3 of our journey to the top of the shale formations we are exploring. These shale formations (the Bowland and the Hodder) start at roughly 5000 ft. and end at 11,500 ft. During drilling we confirmed the presence of salt water in the shallow aquifer (the aquifer in this part of the Bowland formation is entirely salty).

At 2000 ft. we stopped to cement the top casing, the first of four in this well. The casing was cemented into place satisfactorily. Once the cement hardened, we ran a Cement Bond Log, (an acoustic probe that assesses the integrity of the cement work) between the casing and the rock wall of the well.

This showed the possibility of channelling (e.g. the cement had not adhered evenly to the casing) near the bottom, well below the aquifer. To be absolutely certain of our cementing, we perforated the casing at that point and attempted to pump drilling fluid through. This test indicated that no fluid could pass through.

However, a packer (a tool which is used during testing for well integrity) temporarily installed at the bottom of the well became trapped by the pressure of the testing. It is not possible to drill through the packer, and drilling around it at this relatively shallow depth would create operational challenges in the event that we are permitted to commence horizontal exploration at a later date. After further work in consultation with our drilling advisors, we have concluded that starting a new well is preferable to ensure long-term success.

We are now determining whether we can use the existing well for monitoring seismicity and/or groundwater. The rig will be partially withdrawn, and work will commence on preparing a new well at the surface a few feet away. The rig will be re-mounted, and we expect to start drilling a new well in January.