

## **PERU FARM IN OPPORTUNITY DEEP WATERS OFFSHORE BLOCK Z 34**

### **1. Background**

In early 2005 the Company obtained a Promotion Licence from Perupetro for Block Z34. The Company then applied for an Exploration Licence and In May 2006, the Company signed a Carried Interest Agreement with Plectrum Petroleum Plc whereby the Company is carried through the first seismic phase of work envisaged for the exploitation of Block Z34.

By the middle of July 2006 the Company was qualified as an Operator for Block Z34 and was awarded an "Operator Certificate" by Perupetro and on March 2007, the Company signed the licence contract with Perupetro for Block Z34, together with Plectrum Petroleum PLC, a 50% partner. In October 2007 Plectrum was purchased by Capricorn (a subsidiary of Cairn Energy) and a year later Gold purchased all of Plectrum's interest in Z34 by purchasing the Company that held the Licence interest.

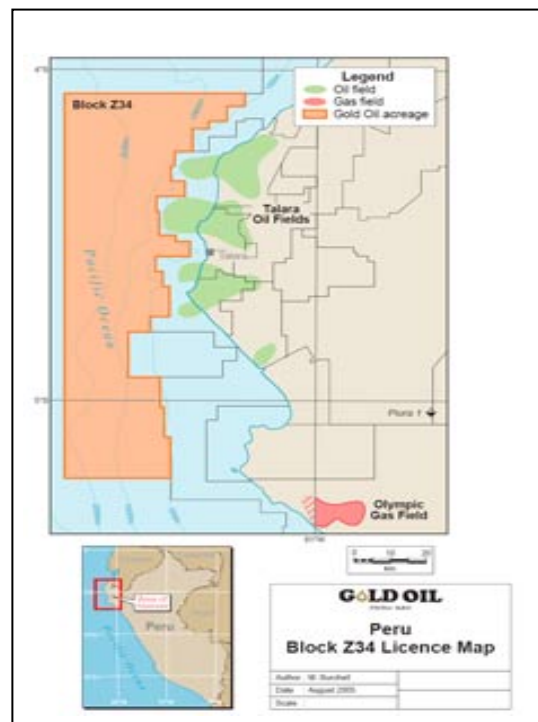
### **2. Geographical Location - Offshore Block Z34**

Block Z34' has an area of 371,339 hectares, equivalent to 17 North Sea blocks.

The geographical location corresponds to the most western area of the Peruvian coast, at the northern boundary with Ecuador and bounded to the east by Block Z2B, operated by Petrotech Peruana, which in 2008 has had an average production of 11,100 bopd of crude oil and about 64 MMscfd of associated natural gas, 33 MMscfd of which is injected for pressure maintenance and secondary recovery projects.

BPZ has recently discovered and is in the process of developing the Corvina oil field to the North of the block in Z1..

Vamex (in Block Z38) to the north of the block has carried out a seismic survey early this year. Petrotech has also discovered oil in the San Pedro oil field to the south of the block in



### **3. Geological and Geophysical Assessment**

The Block has potential for typical deep-water turbidites, which normally have high porosities and permeabilities. In addition there are possible extensions of the prolific structural traps in the neighbouring Block Z2B, and, further east, the onshore fields of the Talara Basin, where the cumulative production is in the order of 1.6 billion barrels of crude oil.

Four priority areas for exploration programmes in Block Z34 have been identified. Three areas are based on the feasibility to extend and project, towards the west, the major oil fields in the Talara Basin, and a fourth exploratory area is based on the symmetry of the trapping models of the present fields.

The trap structures that can be modelled from the seismic lines are faulted blocks in echelon from the existing continental shelf fields to the outer abyssal zones of the continental shelf.

Evidence of sealing faults is deduced by the separation of seawater from the abyssal depths of more than 3,000 meters (10,000 ft), from the shallower water reservoirs showing proven reserves of oil at lower and/or similar depths, which have formation water salinities that do not exceed 5,000 ppm of chlorides. Seawater values are double this amount.

Excluding the deep-water turbidite plays there is a potential for at least 250 MMbbl of oil in the shallower water areas.

In May 2009 Gold Oil acquired 2013 km of 2D survey. At present we are reprocessing and working on the interpretation of the large amount of data recorded by SCAN Geophysical. Initial interpretation definitely confirms the extension of the Z2B oilfields into our block as well as turbidites in the deeper areas of the block. Gold Oil has SEG-Y data and preliminary reprocessing and interpretation ready to share with potential investors.

#### **Future Activity & Work Programme**

The Environmental Impact Assessment was approved in September 2008 and the plan is to shoot 2000 km of 2 D seismic in early 2009.

First Phase - Signing – June 2009 – 2000 Km of 2D seismic acquired at a cost of \$4,7 Million (100%) (6 month extension to 01 December 2009 granted). Guarantee \$2 Million

Second Phase - December 2009 - November 2010 – 320 Km<sup>2</sup> of CSCM survey estimated at \$3.5 to 4 Million (100%) Guarantee \$2 Million (This may be substituted with a 3D survey)

Third Phase – December 2010 – November 2011 – 1 exploration well to a target depth of 3000 metres from the seabed or 100 metres in to basement – estimated at \$15Million+ (100%) Guarantee \$3.6 Million (extension possible due to new EIA for drilling)

Fourth Phase – December 2011 – May 2013 - 1 exploration well – estimated at \$15Million+ (100%) Guarantee \$3.7 Million

Fifth Phase – June 2013 – Mai 2015 - 1 exploration well – estimated at \$15Million+ (100%) Guarantee \$2.35 Million

The blocks may be dropped at anytime after each phases' work commitment has been performed.

#### **5. Terms of the Exploitation Licence**

The terms for this block in Peru are quite generous with a royalty of 5% up to 5,000 bopd, and then a sliding scale of 5% - 20% on a production level of 5,000 bopd to 100,000 bopd. Above 100,000 bopd the royalty is 20%. Corporation tax is at 33%.

Recent blocks awarded in Peru have seen royalties in the 12.5% – 59% range.

#### **6. Terms of farmout**

The Company is looking to farm-out anywhere from 20 to 75% of the block (to one or more parties) and Operatorship may be available to a suitable partner.