

Galilee extends shallow oil focus into Kansas

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- **Galilee signs MOU targeting low cost, high return shallow oil in Kansas, USA**
- **Galilee will operate and manage the project**
- **Multiple target horizons in the prolific Anadarko Basin**
- **Option to explore within 110,000 contiguous acres, with the first phase to focus on a core 30,000 acres**
- **Planning has commenced to record a 3D seismic survey in the third quarter 2014**

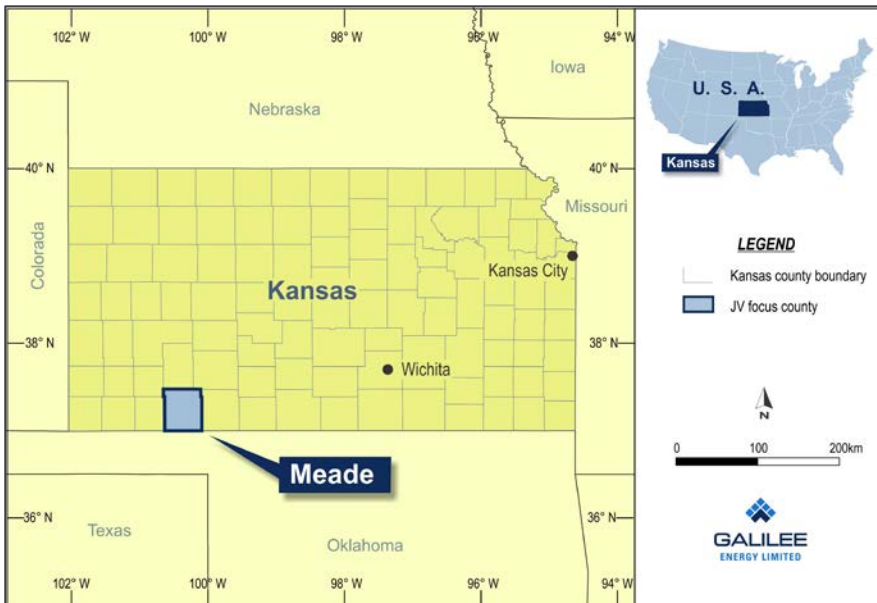
Galilee Energy Limited (ASX: **GLL**) (“Galilee” or the “Company”) has signed a Memorandum of Understanding (MOU) with a group of private investors to progressively earn up to a 75% working interest (WI) in selected areas within 110,000 acres of leases in the Anadarko Basin, south-western Kansas. The MOU allows for Galilee to select the location of operations across existing leases primarily in Meade County, Kansas and to jointly expand the asset within the encompassing 345,600 acre Area of Mutual Interest (“AMI”).

Galilee will be utilising its in-house skills and operating all activities and has engaged the services of an experienced local geophysicist who has been intimately involved in the development and success of the recent 3D seismic and drilling programs in Kansas.

Managing Director Peter Lansom commented, “*This significant operated position in a lightly explored area within a highly contiguous lease position is exciting. Wells within the AMI have recovered oil and gas from multiple zones demonstrating hydrocarbon charge and reservoir quality. We believe that the application of 3D seismic data for the first time will uncover a number of both structural and stratigraphic traps not seen on the older, sparse 2D seismic grid.*”

The key reservoir targets are shallow (4,000-6,000 ft) limestones and sandstones in the Carboniferous section, primarily in the Missourian Lansing and Kansas City groups. The reservoirs are generally from 5 to 40 feet thick and often have more than 20% porosity. Secondary objectives exist in the slightly deeper Cherokee Group, Marmaton Group, Morrow Sandstone and Mississippi Lime.

Exploration activity targeting these zones has increased significantly in Kansas during 2013/14. The use of high-resolution 3D seismic data, which can resolve the small and subtle structural and stratigraphic anomalies as well as small faults, has resulted in an increase in exploration drilling success rates to over 65%. Importantly, any success is expected to deliver strong economic returns with the dry hole costs for these wells being ~ US\$300,000 and successful wells paying out with less than 10,000 barrels of oil production.



The AMI area is typical of the areas targeted by operators in other parts of Kansas. It is only lightly explored yet surrounded by prolific historical oil and gas production. Production to date from Meade County and the five adjacent counties is in excess of 185 million barrels of oil and 5.5 trillion cubic feet of gas, with producing fields located one mile to the east and within 10 miles to the south and west.

Details of the MOU

The MOU, which is conditional on finalisation of a Joint Venture Agreement, provides the right for Galilee to operate the project and to progressively earn its working interest as follows:

- Fund an initial ~30,000 acre 3D seismic survey to earn a 25% WI in the seismic area
- Fund, at Galilee's election, two wells to casing point within the seismic area to earn an additional 25% WI per well (to a total of 75% WI in the seismic area)
- All interests earned will be at a 79% Net Revenue Interest (NRI)
- Galilee has the option to fund programs in additional areas of the 110,000 acres of existing leases on the same terms as the above
- Galilee can lease renew or extend any additional acreage within the AMI with a 75% WI and 79% NRI
- Galilee will fund the dry hole costs of the first ten (10) wells and the completion costs of the first five (5) wells within the AMI.

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