



**ASX / Media Release:**

31 October 2013

## **ALEATOR ENERGY September 2013 QUARTERLY ACTIVITIES REPORT**

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- **Operations continue to progress toward spud of the Pov-105 well**
  - **Rig status**
  - **Project funding**
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The Directors of Aleator Energy Limited (ASX: **AWD**) ("**Aleator**" or "**the Company**") are pleased to report on its activities and operations for the quarter ended 30 September 2013.

### **UKRAINE**

#### **THE POVOROTNOYE GAS & CONDENSATE FIELD (AWD: 61.2%)**

The licence area covers some 104 km<sup>2</sup> with productive sands estimated at more than 20km<sup>2</sup> (5,000 acres). The discovery well (Pov-1) in the Povorotnoye gas and condensate field flowed gas at a stabilised flow rate of 5.1 MMcfgpd with some condensate through a 20/64" choke with a shut-in surface pressure of 5,100 psi. The gas is from the M-3 sandstone reservoir (gross thickness 18m) at a depth of 3,900m where the formation pressure is 11,000 psi. The second well (Pov-2) had a gas flow estimated to be 17 MMcfgpd during a loss of well control event, probably from the same M-3 reservoir and in other wells in the field this reservoir is logged to have a gross thickness of up to 50m.

#### **Pov-105 Moving Towards Spud**



During the quarter the Company signed a letter of intent ("LOI") with Ukrburservis Drilling Company ("Ukrbur") to provide a rig to drill the Pov-105 well in the Povorotnoye gas and condensate field in Ukraine. The proposed rig to drill the well is a US build National Oilwell Varco rig with a top drive configuration which has a maximum drilling depth capability well exceeding the planned target depth for Pov-105. Ukrbur has extensive experience in drilling oil and gas wells in Ukraine and other Eastern European countries and has drilled in excess over 100 thousand meters since 2003, including one of the deepest producing gas wells in Ukraine with total depth at 6240m.

The rig base together with other associated construction works on the drill site are complete and ready to accept the drilling rig. During the quarter Aleator has also received delivery of 20 truckloads of 7" well casing, which completes the inventory receipt of this material in readiness for drilling to commence. In addition to the casing the Company's warehouse in Ukraine is now stocked with all the inventory items such as Drill bits, Well Heads, Drilling Mud and other items of equipment which are required to be on hand prior to spud of the Pov-105 well.

Aleator has also scheduled its Consulting Rig Engineer to travel to Ukraine in the coming week to complete an audit on the rig and associated equipment to ensure compliance with regulations and to confirm specifications, standards and quality of the rig and equipment as defined in the proposed drilling contract. Execution of final documents and mobilisation of the rig to site will take place as soon practicable after Aleator is in receipt of funds from the Euro\$5m Bridging Loan announced on 02 October 2013.

## **PLANNED DRILLING OPERATIONS**

The Pov-105 well is designed to twin the initial discovery well Pov-1, which flowed at a stabilised rate of 5.1 MMcfgpd (*Million cubic feet of gas per day*). Pov-105 will be engineered and electric logged to investigate and test the primary objective - the known deep M3 and M4 gas reservoirs. The well will also investigate the secondary objectives – the 700m of gas shows at about 3,000m depth, as well as the shallow oil prospectivity which has been recognised on the well logs from the existing wells.

Mobilisation of the rig to the Pov-105 location is planned to commence in the next few weeks and after set up is complete, it is expected to take approximately 55-70 to days to drill and run electric logs, with production casing and testing programmes to follow.

Current Ukraine gas prices stand between US\$11- 12 per Mcf (*1000 cubic feet*). Gas which is produced can be tied into local infrastructure with a relatively short connecting pipeline, with nearby processing facilities having ample spare capacity.

## **PROJECT FUNDING**

### **AU\$500k Interim Convertible Loan**

Company has raised \$500,000 by means of a convertible loan to facilitate the prepayment of interest to establish the €\$5m European loan and to provide interim working capital. The terms of funding facility are contained in the announcement which was released to the ASX today in concert with this quarterly report.

### **€\$5m Bridging Loan**

On 02 October 2013 Aleator announced that the Company had signed a new financing facility with a syndicate of European investors for a total amount of €5 million. This financing was expected to be available almost immediately and will allow Aleator to contract the drill rig and move to spud the POV 105 well. The material terms of the loan are as follows:

- A loan amount of €5 million;
- A loan term of 5 years from the draw date;
- An interest rate of 5%;
- The Company must prepay the first years interest from existing funds and is payable contemporaneously with the draw-down of funds, followed by monthly in arrears for years two to five;
- The loan is unsecured, however a condition of the loan is that EUR 2 million must be reinvested with portfolio managers in AA rated investments nominated by the lenders and, as such, only EUR 3 million is available for immediate use by the Company. After the first year, the Company is to maintain a cash balance in excess of the loan amount.

The €5 million loan facility will allow Aleator to repay the AU\$500,000 loan, contract the drill rig and move to spud the POV 105 well, and satisfy the cash condition precedent for the Gres Holdings US\$20 million loan facility.

### **Gres US\$20m Funding**

On the 27th March 2013, the Company announced that it had signed a binding agreement with GRES for a USD 20 million financing facility to be allocated to the Povorotnoye project in Ukraine. The Company experienced lengthy delays in the availability of this facility due to a number of reasons that were predominantly administrative in nature. As a result of these delays, the original Bank Guarantee that was to be used to provide collateral for the funding has matured to the point where the Company and GRES are no longer satisfied with its suitability. Consequently, the Company and GRES have mutually agreed to replace the original Bank Guarantee with one that is freshly issued. The Company has received written confirmation from GRES that they “have a Bank Guarantee provider ready and believe that all parties concerned can complete this within 10 banking days subject to a commitment from Crimea Energy Limited (100% AWD subsidiary)”. Aleator is working with GRES to achieve this timeframe, and upon receipt of the Bank Guarantee, the credit line should be opened within a further five banking days.

### **USA - THE GOLDEN EAGLE GAS FIELD**

The Golden Eagle gas field was discovered by Golden State Resources Ltd in 2006 with the drilling of the first of three Paradox Basin wells, Paradox Basin #1. The field is a large shelf-edge/basement structure with multiple objectives within Pennsylvanian and Mississippian aged strata.

The Company has been seeking an amendment to the Golden Eagle 70 II Unit Agreement, which, when final approval is received, will grant that the individual leases are held by production by virtue of demonstrated flow rates of two of the current Unit wells (500Mcf/d each). The individual leases will then have an extended expiry date to two years beyond the life of the Golden Eagle 70 II Unit, being 5 December 2019, subject to Unit obligations being met in accordance with the Unit Agreement to the satisfaction of the US Bureau of Land Management (BLM).

## JOHNSTON RANGE

Iron Ore Royalties: The Company has an agreement with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") with respect to its previously owned Johnston Range Iron Ore tenements in the Yilgarn region of Western Australia. Cliffs will pay the Company a gross royalty of 2% on the iron ore sales from the tenements as well as a 2% gross royalty on the sale of all other minerals. Mining is scheduled to commence in 2014 and the Company was prepaid \$3 million of royalties in the 2010 financial year.

Ends.

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***Technical information contained in this announcement was approved by Wal Muir, who has had more than 33 years experience in the practice of petroleum exploration. Wal Muir consents to the inclusion in this announcement of the information in the form and context in which it appears.***

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## ABOUT ALEATOR ENERGY

*Aleator Energy Limited is an active explorer for oil and gas with international operations based in Ukraine and the United States. The Company also retains mineral royalties in Australia.*

***The Povorotnoye Gas and Condensate Field*** in the Autonomous Region of Crimea, Ukraine, is part of the very attractive East European oil and gas rich sector. The project is located in the prolific "Foredeep" sector of the Azov Kuban Basin which straddles the highly productive gas and oil fields of the most western oil region in Russia and the eastern Crimean peninsula. OGIP (mean) of 132 BCF is currently calculated for the field.

***The Golden Eagle Gas Field*** in Grand County Utah, USA, is located in the northern part of the Paradox Basin and contains a look-alike structure to the nearby Lisbon oil and gas field which has produced over 50 million of barrels of oil and 750BCF of gas. Golden Eagle has an estimated (P50) Discovered Gas Initially in Place (GIIP), of over 80 Billion Cubic Feet.