



VULCAN MINERALS

makes wildcat natural gas discovery at Red Brook

By JOAN SULLIVAN



“Where
to
begin?”

Patrick Laracy, president and director of Vulcan Minerals, sat at a table in his company’s office suite in downtown St. John’s. The junior exploration company’s natural gas find on the Newfoundland west coast last December had just been ranked #4 in the St. John’s *Telegram’s* Year in Review. It was a significant

discovery, and noteworthy news for an area often overshadowed by the mega-projects operating in the Newfoundland offshore. But it was no fluke. Laracy said it was the result of steady years of studies and surveys in the Bay St. George Basin, which runs from south of Stephenville to Port aux Basques, and offshore in Bay St. George.

“We’ve been looking in earnest since 2004. We’ve had petroleum rights in the area since 1996. We conducted exploration between ’96 and 2004, not a lot, because of the difficulty of raising money.” And there were setbacks, as when Hunt Oil pulled out of Garden Hill on the Port au



DR. IAN KNIGHT, RIGHT, AND DR. PETER GILES, LEFT, EXPLAINING THE GEOLOGICAL EVOLUTION OF THE BAY ST. GEORGE BASIN AND SIGNIFICANCE OF THE CRABBES LIMESTONE DURING A FIELD TRIP FOR THE WESTERN NEWFOUNDLAND OIL AND GAS SYMPOSIUM. THAT FIELD TRIP ALSO INCLUDED A STOP TO VULCAN MINERAL'S DRILL SITE WHERE PRESIDENT PATRICK LARACY EXPLAINED THE COMPANY'S DRILL PROGRAM. CREDIT: LARRY HICKS, NEWFOUNDLAND DEPARTMENT OF NATURAL RESOURCES.

Port and PanCanadian drilled a couple of dry holes. "Western Newfoundland lost appeal. In exploration, activity generates activity, excitement and discovery and anticipation generates activity. Disappointment discourages activity."

But Vulcan pressed on. They picked up two new permits in 2003. This enabled them "to get some traction," to undertake a more regional exploration approach instead of working site-by-site.

"We put together a much better exploration program." Vulcan shot several seismic programs, located drill targets, and selected the most likely and worthy. They purchased their own drilling rig. "There was a shortage worldwide, and when you're operating on an island with no infrastructure to begin with, you need to create your own options." The rig is called a single, which is capable of drilling 1000 metres deep. With it, Vulcan drilled seven shallow wells.

"We encountered petroleum, both oil and gas, in all but one. So we knew the area generated a significant amount of oil and gas. The challenge was to find the traps where it had accumulated without leaking or seeping away." The new wells they hoped to drill, reaching 2000 metres or 3000 metres, would cost between \$5 million and \$8 million each. Vulcan concentrated their drilling, shot new seismic, and set about raising money. "We met a partner, out of France, Investcan Energy, and negotiated a 50-50 joint venture." As part of this joint venture, Investcan funded a round of deep drilling.

This has financed the first two wells and there is still money in the joint venture for at least a portion of another well. Then Vulcan will go looking for more backing. "It's high-risk money. That's not always easy to find." Raising funds is a challenge because Newfoundland's west coast is a

frontier wildcat basin. "You have to use your imagination with the geological information you have. Everything you do is done for the first time. And you have no comparables to tell you the significance of what you just discovered. It's the fun and challenge of (this kind of) exploration. Exploration requires a lot of creativity. It's not just a mechanical process."

Of course, nothing can happen without successful drilling. "The drill bit is the truth machine." Drilling tells them what is there, and that information pays forward. All new information incrementally lowers some risk for the next well.

And there will be a next one. Vulcan is moving into 2010 with two deep wells, and with gas discoveries in each one. Now they plan to quantify what the wells could do on a flow-rate basis. A first step is hydraulic fracturing, which facilitates the flow of gas into the well bore. "It opens constrictions, almost like an asthmatic

with an inhaler.” As they measure the scale of how much gas is there, they will drill more delineation wells to try and forecast the potential production rates. Is there enough that building a pipeline across the Gulf of St. Lawrence would be feasible? Or could they generate electricity with it, using turbines constructed on site?

Then comes further testing and evaluation. “Field operations may not commence until May or June. In western Newfoundland a lot of your limitations are a function of logistics.” They have to consider the availability of equipment, of supplies and services, and personnel.

“We’ll shoot additional seismic. We have a lot of acreage – 250,000 acres.

And we anticipate more drilling in 2010.” And this is not the only Newfoundland west coast project Vulcan has invested in. Further up the Northern Peninsula, they are also a partner in Parson’s Pond, where Nalcor Energy, the province’s energy corporation, has a drilling program planned to commence this winter.

Laracy described Red Brook as “totally different” from any other project he’s worked on. “It’s taking a project from ground zero.” Most operating areas have infrastructure to access, information to share. On Newfoundland’s west coast, they are working from scratch.

Which kind of adds to the excitement.

“Western Newfoundland is engaged in the busiest period ever.” Leprechaun Resources Ltd., Canadian Imperial Venture Corp., PDIP, NWest Energy and Deer Lake Oil & Gas are among the other companies engaged in west coast projects. Laracy expects to see other companies creating their own opportunities over the next 12 to 18 months.

“It’s an exciting time. We’ll go slow, we’ll be patient. But at the end of the day Vulcan Minerals believes strongly that there is a commercial petroleum product in western Newfoundland. That’s our focus, that’s what we believe, it’s our mantra. At some point somebody will make the discovery that will kick-start everything. Our new discovery has that potential.”

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