

Vote of confidence for Karoon

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BRAZILIAN company Pacific Rubiales Energy has elected to exercise a 35% farm-in option at Karoon Gas' S-M-1166 block offshore Brazil, effectively funding a minimum of \$US70 million (\$A67 million) for the drilling of Bilby-1.

Karoon said the company would farm into the block as part of a longer-term agreement with Karoon covering five blocks in the Santos Basin.

As part of the agreement, Pacific has paid Karoon an initial \$40 million and another \$70 million for each of the Emu and Kangaroo wells.

The newest farm-in means Pacific has borne a total of \$210 million in free carries so far.

News of the farm-in will also be heartening to both Karoon and its investors, still feeling the aftershocks of a poor result at the Bilby-1 well.

While the farm-in is not in the same permit as Bilby-1, it does confirm Pacific's appetite for the Santos Basin.

As part of the broader farm-in deal, Pacific has the right to ask for operatorship of the permits at the conclusion of farm-in commitments.