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## Karoo Gas hopeful on Kangaroo oil flows in Brazil

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The Kangaroo well is the most advanced of Karoon's oil prospects in Brazil. **Photo: Supplied**

### Angela Macdonald-Smith

Karoo Gas Australia has reported strong oil flows from testing at its Kangaroo discovery off the coast of Brazil, giving confidence about prospects for a commercial project despite the plummeting oil price.

Testing at the Kangaroo-2 well signalled that a vertical production well could flow at 6000 to 8000 barrels a day, with the potential for higher rates from horizontal production wells, managing director Robert Hosking said on Tuesday.

"Karoo is very pleased with the production testing results from Kangaroo-2," Mr Hosking said.

Spokesman Ed Munks said the flow rate was "promising" for a commercial project at the Kangaroo field in the Santos Basin.

BBY analyst Scott Young has estimated that a minimum of 6000 barrels a day could yield an economic project, assuming an oil price of \$US60 a barrel.

Karoo shares still sank as much as 5.3 per cent on Tuesday to \$2.50 after a 6 per cent dive in global crude oil prices overnight. The stock marginally outperformed the drop of up to 5.6 per cent in the benchmark energy index.

The well, in which the Australian junior has a 65 per cent stake, is the most advanced of Karoon's oil prospects in Brazil. The region has become its focus after its \$US600 million (\$742 million) deal in 2014 to sell out of its Browse Basin exploration venture to Origin Energy.

The positive results from the appraisal well appear to justify Karoon's decision to proceed with the well before further reducing its stake in the drilling venture, which is 35 per cent-owned by Pacific Rubiales Energy. Karoon is continuing talks with other potential partners.

Karoo reported that Kangaroo-2 confirmed the indications reported in November of a 250-metre gross oil column, of which 135 metres is assessed as "net", meaning it is of good enough quality to potentially yield commercial flows.

It plans to drill another prospect to the west of the field, called Kangaroo West, but before that will drill "side-track" wells from the existing hole to try to define the oil reservoir.

"The information obtained from Kangaroo-2 will be important for assessing the commerciality of the Kangaroo oil field and will be valuable for a front-end engineering and design phase bringing the project a step closer to commerciality," Karoon said.

Mr Munks said the decision to drill side-track wells from the existing hole was driven by the soft oil price, providing a "cheap and easy" way to try to confirm the size of the resource without drilling new wells.

Brent crude oil prices on Monday slid through \$US55 a barrel for the first time since May 2009.

However, they are expected to recover later in 2015.

"Of course, the oil price is having a bearing on what we are doing," Mr Munks said, while pointing to benefits arising through declining rig hire rates and increasing spare capacity in the engineering and construction sector.

The Kangaroo field was thought to have the potential to hold 135 million barrels of oil, earlier estimates show.

WorleyParsons has carried out pre-FEED work for an oil development at Kangaroo, envisaging a floating production ship processing oil gathered through a subsea system.

The ship could be leased to cut upfront costs, which could be funded partly by debt.

The Australian Financial Review



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