



**SGY 100% SELH Gas Production Facility**



**One of several oil seeps in SGY's emerging Kreyenhagen Project**

## **Solimar Energy Limited**

**(ASX Code: SGY)**

### **INVESTOR UPDATE**

**August 2010**

***"San Joaquin Basin focus onshore California – province reinvigorated by OXY's 175-500 MMBOE discovery"***

***"Portfolio built up to over 25,000 acres on proven oil trends"***

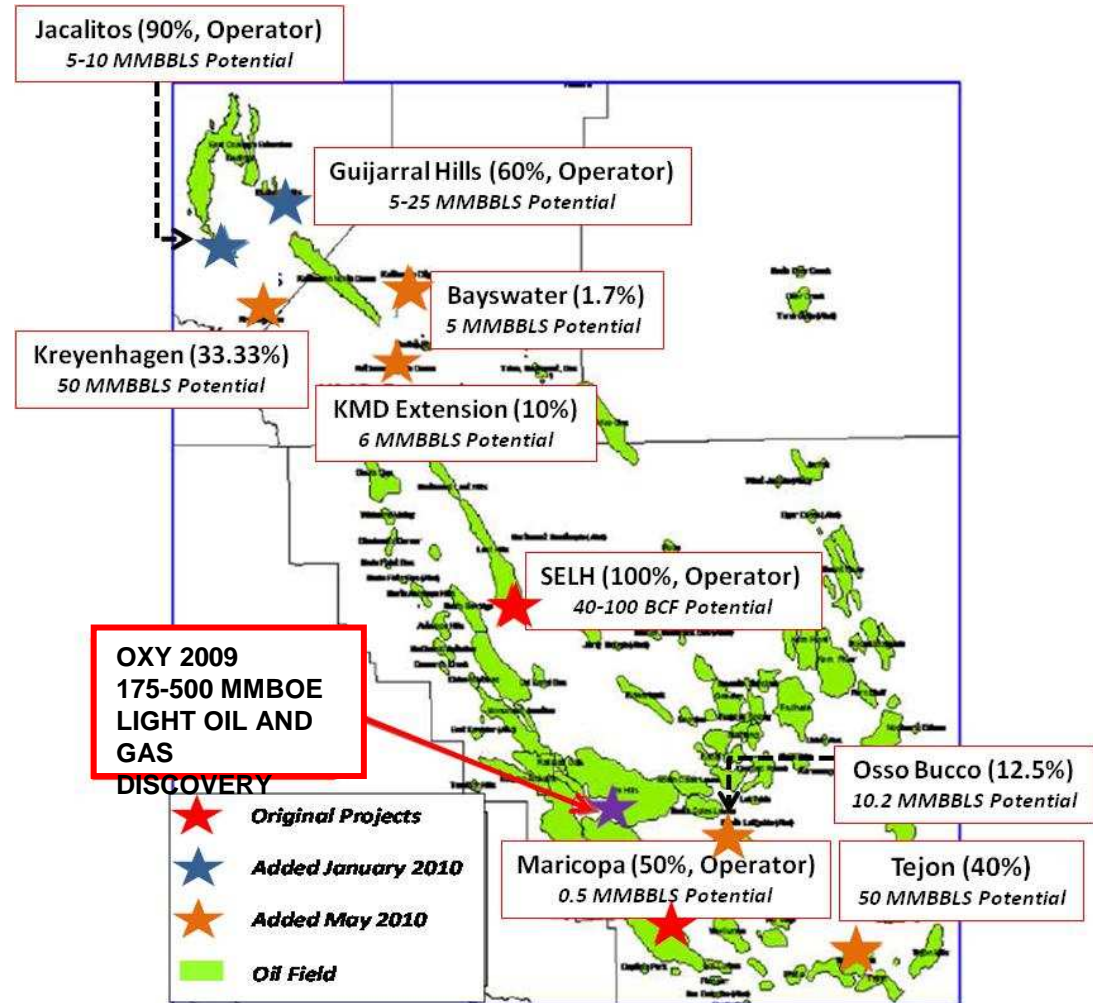
***"Embarking on a multi-well drilling and well workover program"***

# Introducing Solimar Energy (ASX: SGY)

Our focus and strategy explained



- Onshore California – San Joaquin Basin focus
- Several high impact oil projects and one gas project now secured
- Operator where able to add value
- Large equity positions, with farmout of costs
- Low risk appraisal and development
- Shallow targets
- Highly experienced team
- Deep knowledge of the San Joaquin basin and Australian capital markets



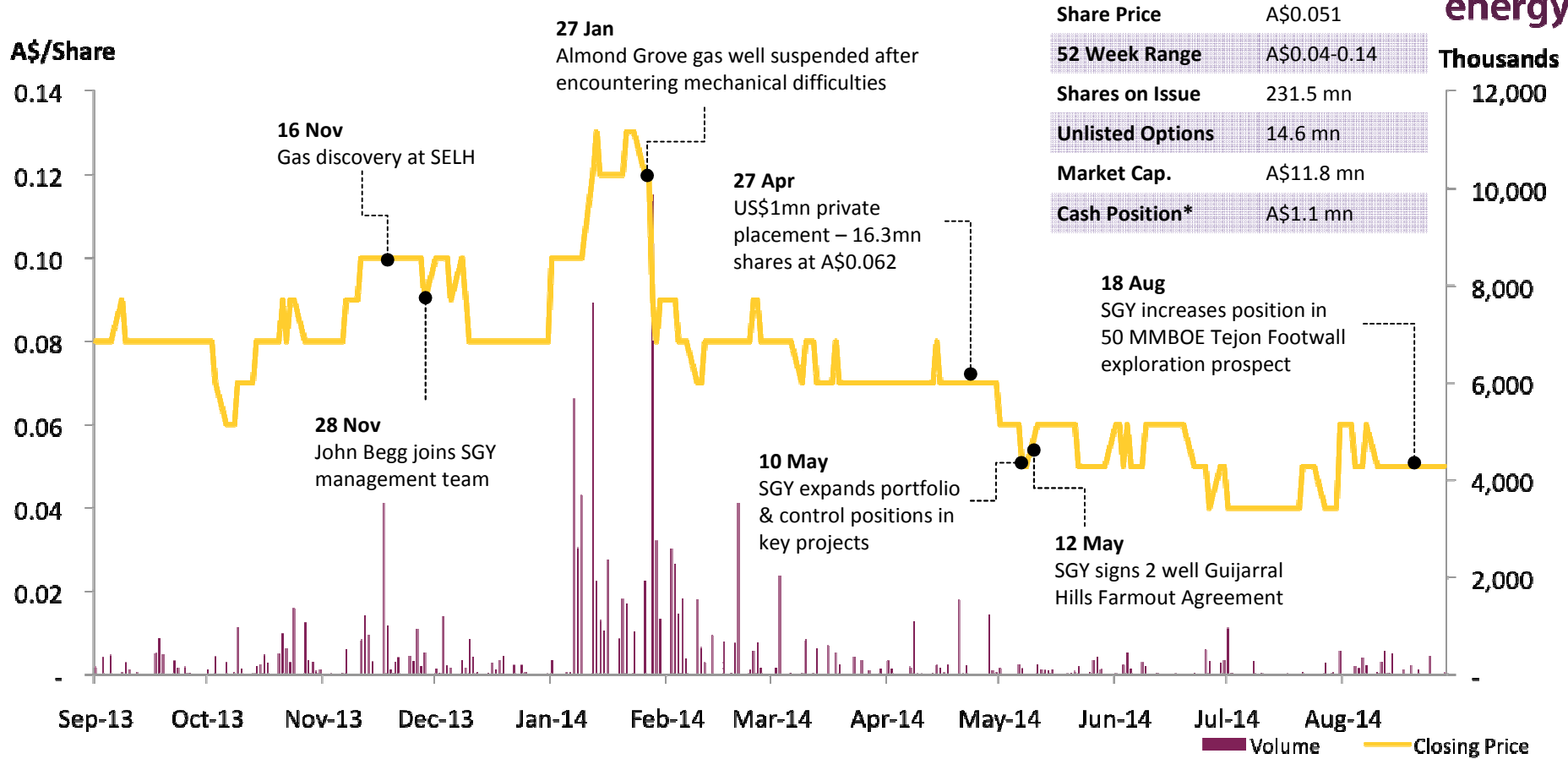
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# Introducing Solimar Energy (ASX: SGY)

An active year behind the scenes



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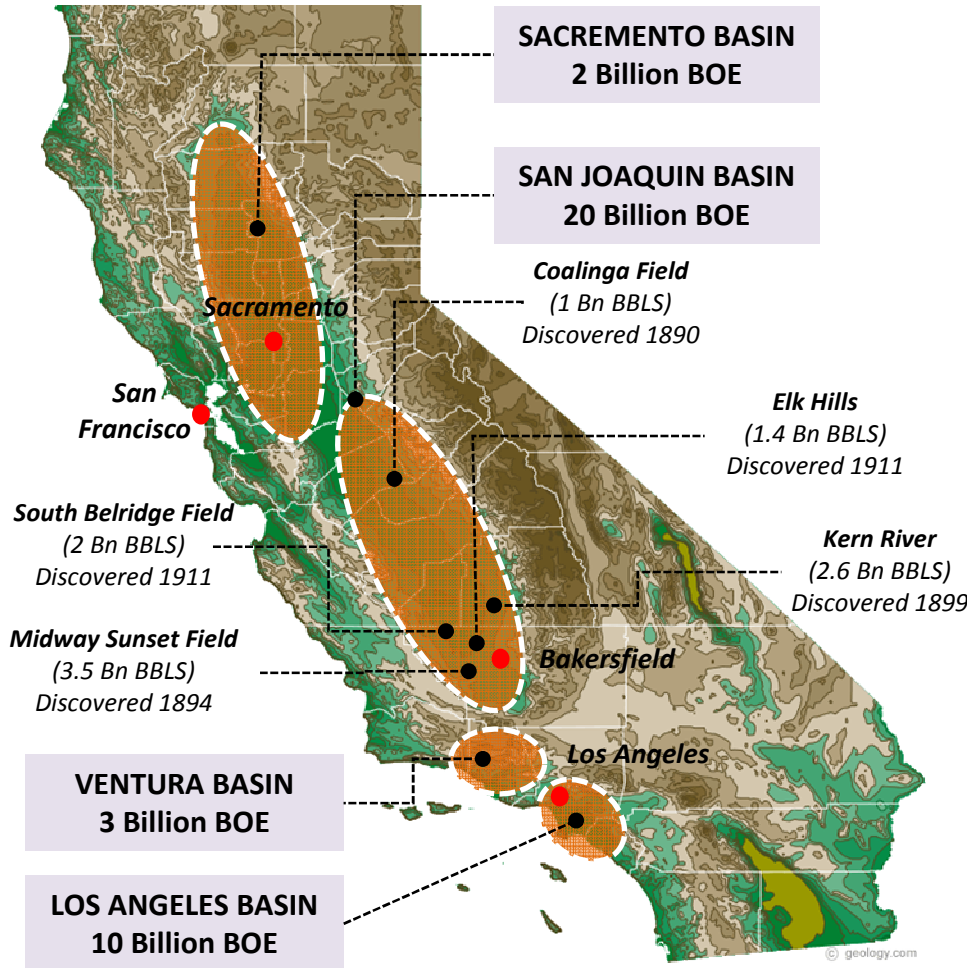


**Solimar has been working diligently to capture additional equity in key projects whilst securing access to a portfolio of new opportunities throughout the San Joaquin Basin.**

\* As at 30 June 2010

# Why California?

Portfolio covering over 25,000 acres in a prolific hydrocarbon province



- **World Class Province**

- 35+ billion BOE discovered
- Contains 5 of top 12 U.S. oil fields
- 16% of U.S. crude oil reserves
- #3 oil producer behind Texas and Alaska

- **Significant Remaining Potential**

- Large undiscovered resources
- Multiple play and trap types

- **Underexplored**

- Low risk of finding hydrocarbons
- Main risk is flow rates from potentially energy sapped reservoirs but the gems are there
- USGS estimates 12 billion barrels yet to find

- **Exploration Resurgence Underway**

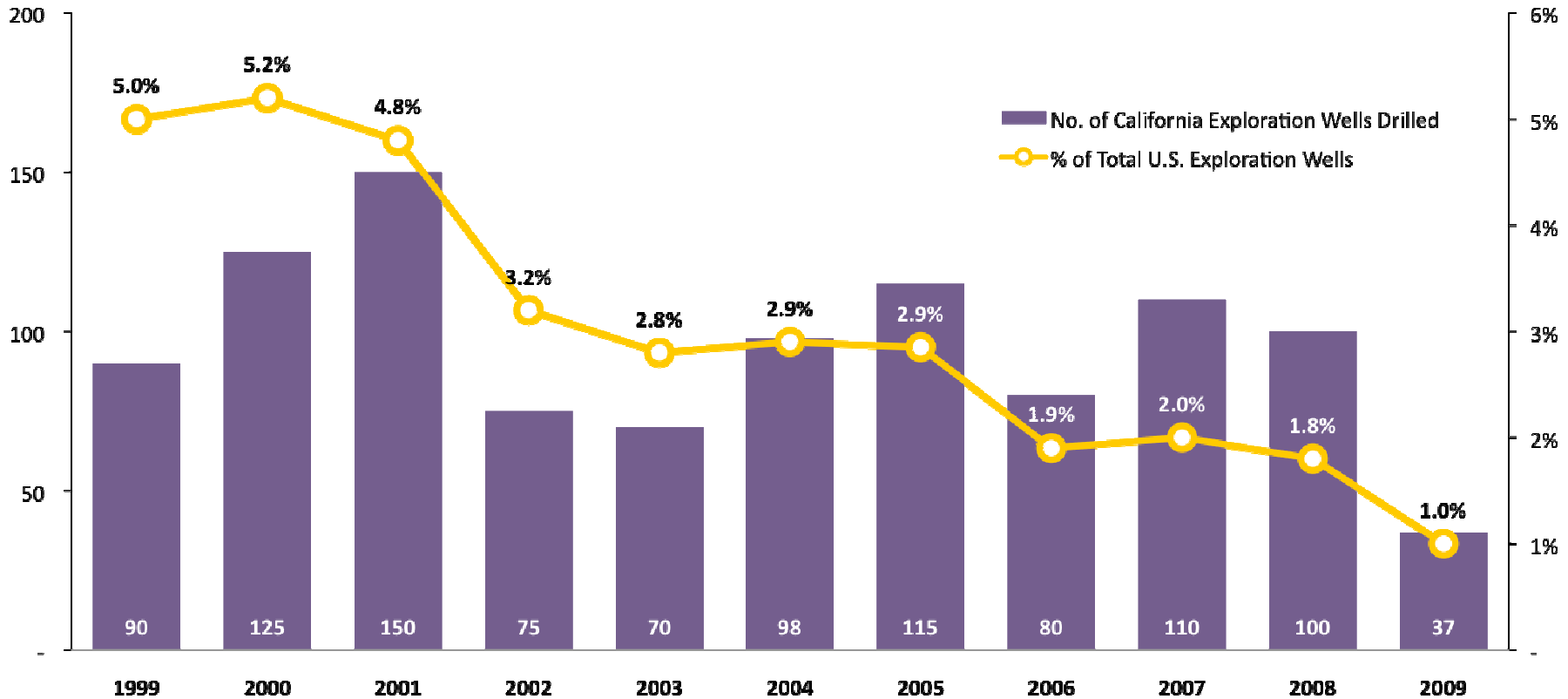
- Occidental's 350-500 MMBOE Kern County discovery in 2009 has sparked renewed activity<sup>(1)</sup>
- Largest discovery in California for over 35 years

(1) Source: Occidental Petroleum 2010 Analyst Meeting Presentation

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# Why California?

Unloved and overlooked in recent years



**Drilling activity (as a proportion of total US activity) has declined over the past decade as California perceived a mature exploration province. THIS IS ABOUT TO CHANGE!**

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# Why California?

Occidental Petroleum's success is changing the industry's perception



"OXY views California as an **underexplored area**, as it is home to 12% of the nation's recoverable oil reserves but just 1% of its exploration wells."

"... we believe OXY's longer term California production target is conservative and **may not adequately reflect the massive exploration upside in the play.**"

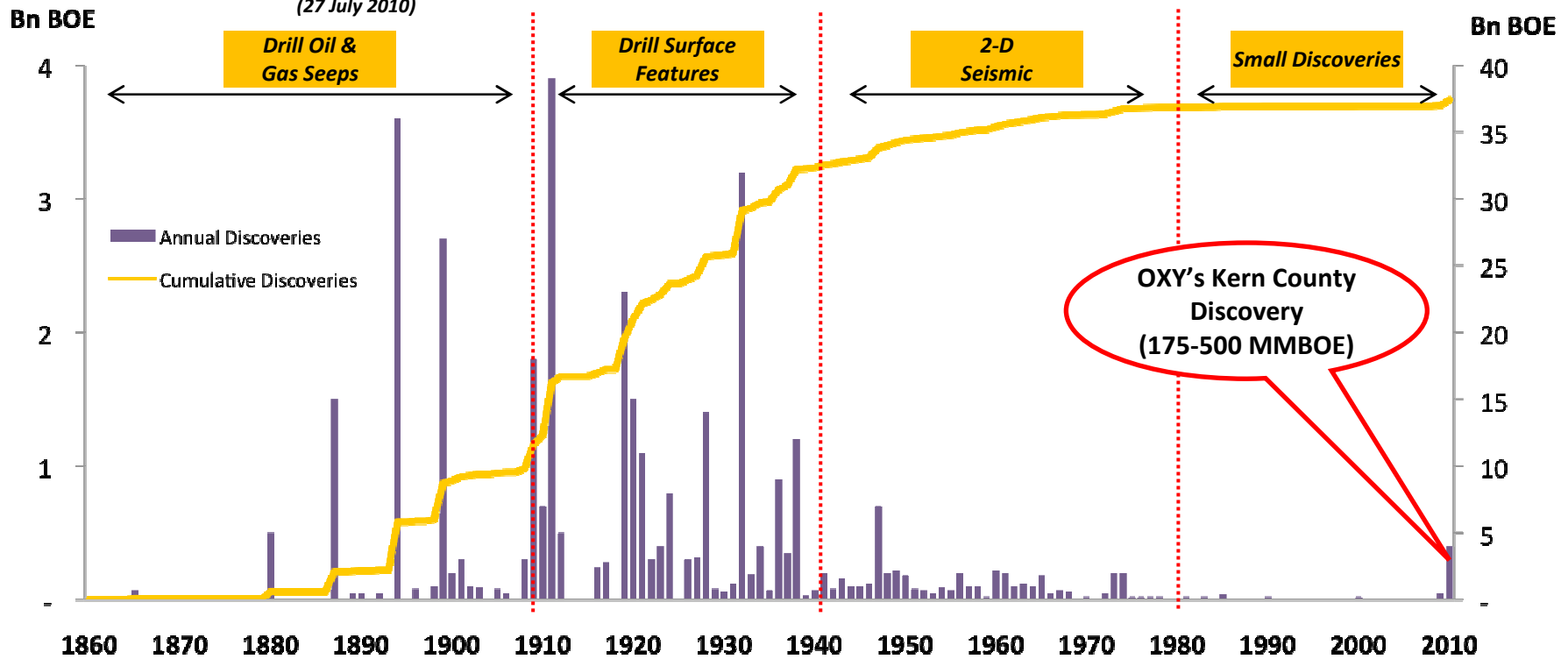
UBS Equity Research Report  
(27 July 2010)

"OXY's core investment case has not changed ... resource visibility is intact led by a **game changing opportunity in California ...**"

Bank of America-Merrill Lynch  
Equity Research Report (23 August 2010)

"California conventional exploration .... **Tremendous potential ... attractive risk profile (OXY 1-in-3 success rate)**"

Occidental Petroleum Analyst Meeting  
Presentation (May 2010)



Source: Occidental Petroleum 2010 Analyst Meeting Presentation

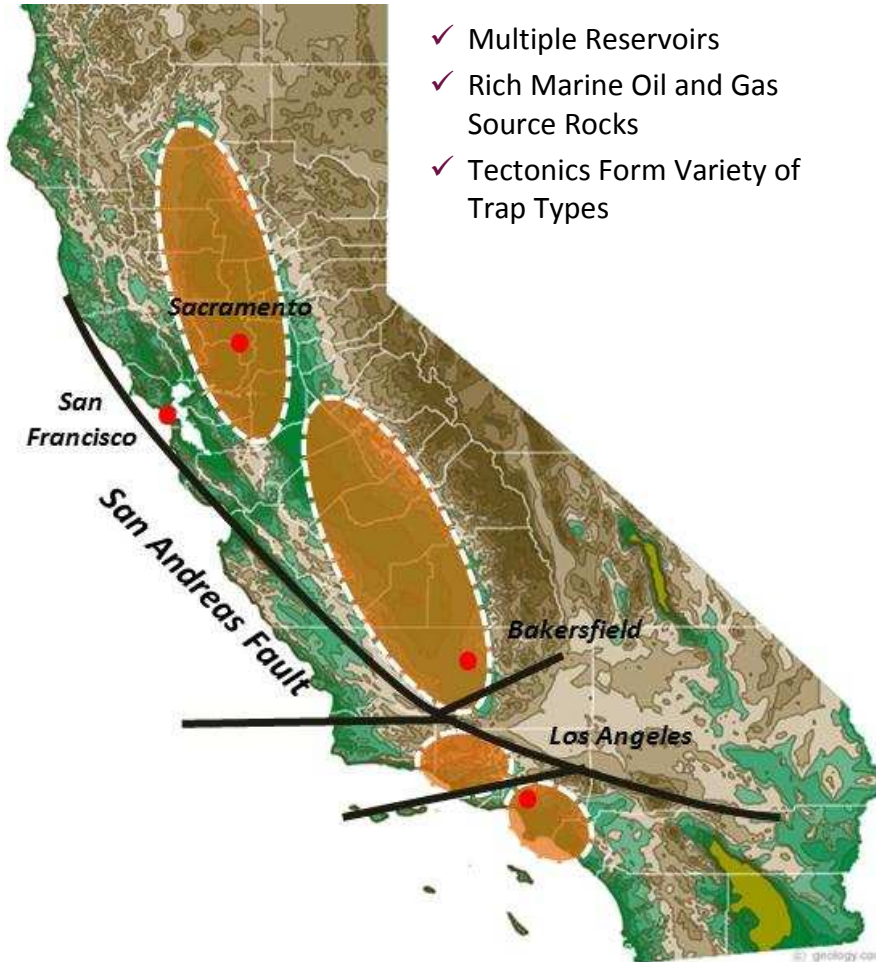
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# Why California?

Favorable geology, multiple plays

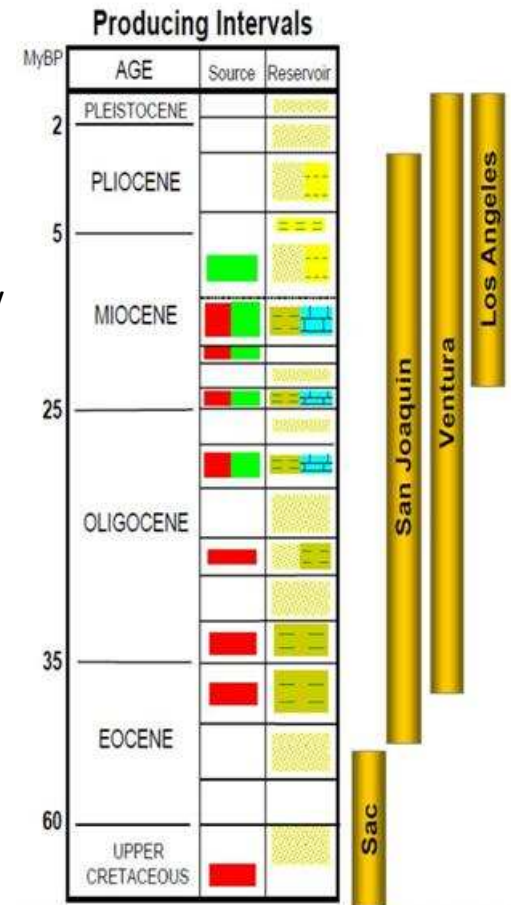
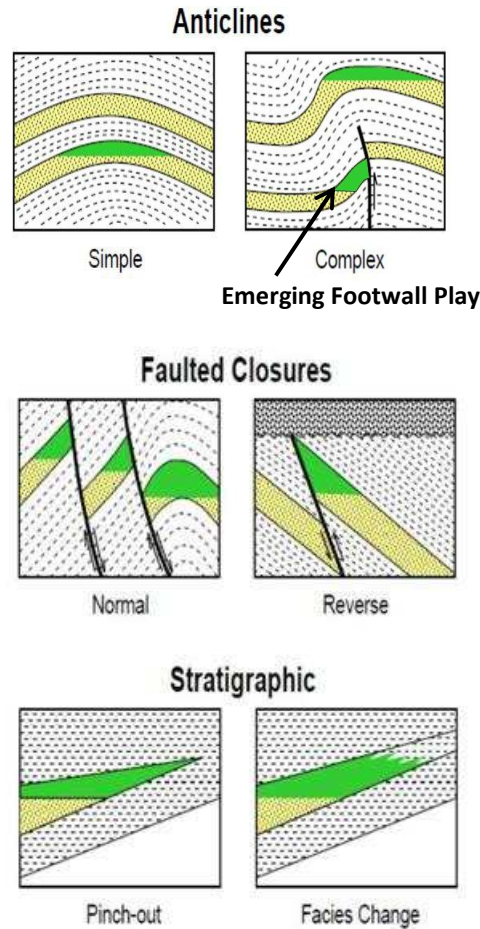


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- ✓ Multiple Reservoirs
- ✓ Rich Marine Oil and Gas Source Rocks
- ✓ Tectonics Form Variety of Trap Types

## Conventional Exploration Plays



Source: Occidental Petroleum 2010 Analyst Meeting Presentation

# The San Joaquin Basin

Breaking the paradigm



## Historical View of California Reservoirs

- Permeable Sands
- Shales (biosiliceous rocks – diatomite, porcelanite and cherts)
- No carbonates (except sporadic dolomites)
- “The Lower Monterey is a source rock with good shows but no production potential”
- Very small new discoveries – not material to large operators



## Unlocking the Potential

- Tight Sands (with shows)
- Occidental Petroleum’s “Shale” Successes
- Carbonates (lower Monterey/Santos?)
- Encouraging results
- Kern County 350-500 MMBOE discovery
- Exploration resurgence about to take place

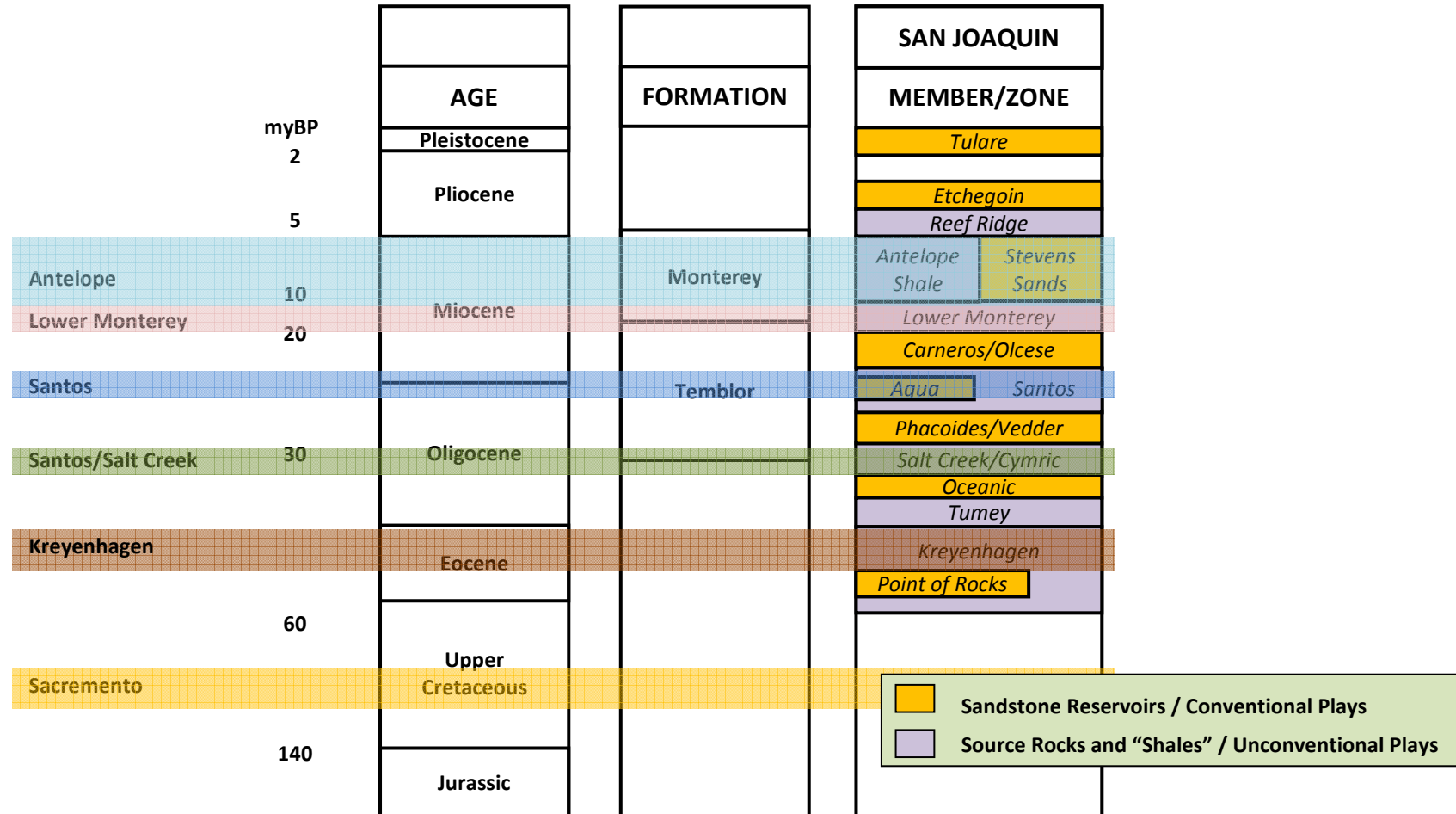


# The San Joaquin Basin

Multiple target zones – all proven producers and present in SGY acreage



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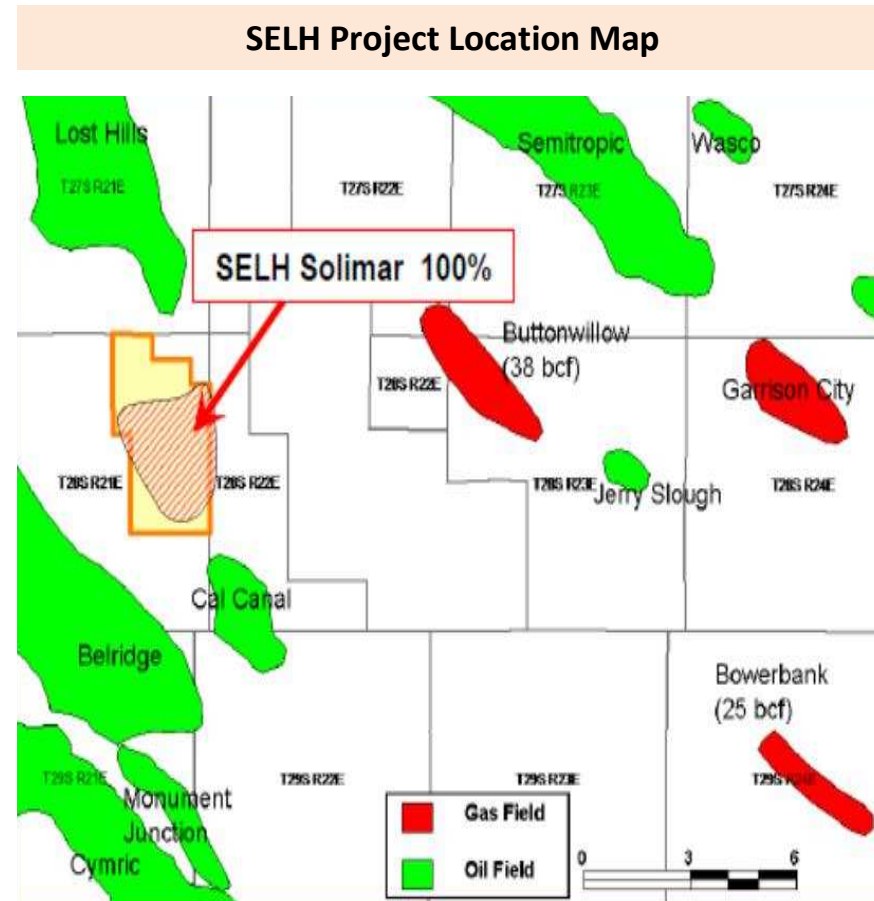


# South East Lost Hills

SGY: 100% & Operator



- Targeting 40 BCF in gas appraisal/development project along the southern flank of the giant Lost Hills Field
- 4 wells have tested commercial scale flows although only 1 has been brought onto long term production (Jack Hamar 3-13)
- Almond Grove 4-13 - first well drilled by SGY specifically to test the shallow gas
  - Found gas in the target
  - Encountered mechanical difficulties due to high pressure gas
  - Subsequently suspended
- 100% owned existing gas plant and pipeline infrastructure
- Low drilling costs, shallow reservoirs, strong local gas demand. Proving there is good reservoir the key
- Farm-out discussions advancing



**SELH is a high impact project with estimated gross resource potential of between 40-100 BCF.**

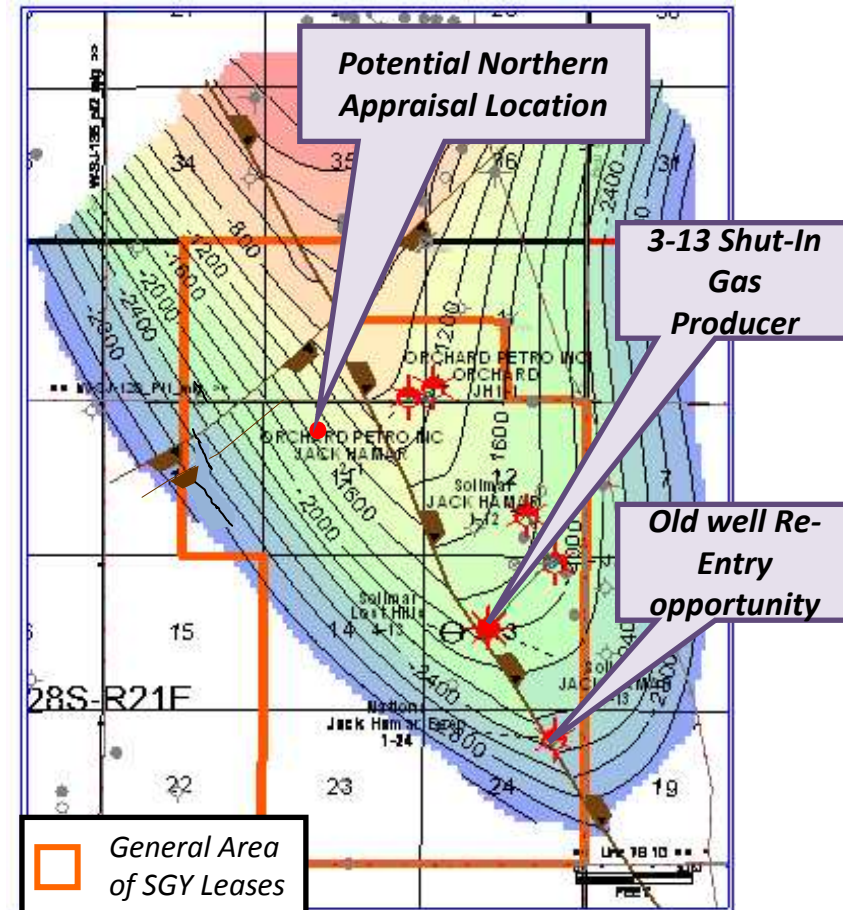
# South East Lost Hills

Negotiating to re enter and test old gas well and planning new appraisal well



- Closing deal for ownership of additional suspended old well
  - Drilled in 2007 & designed for a deeper target
  - Very high gas shows in shallow zones (over 3,000 units of gas)
  - Suspended without testing (mechanical difficulties)
- Target gas zone may be a southerly extension of previously proven productive resources
- Could positively impact scale of the gas resource at SELH
- If successful, production test to start over next 8 weeks
- New appraisal well planned late 2010
  - Determine northern extent & productive potential of gas sands
  - New seismic mapping currently taking place
  - Location to be decided this quarter

## SELH Gas Accumulation/Lease Position

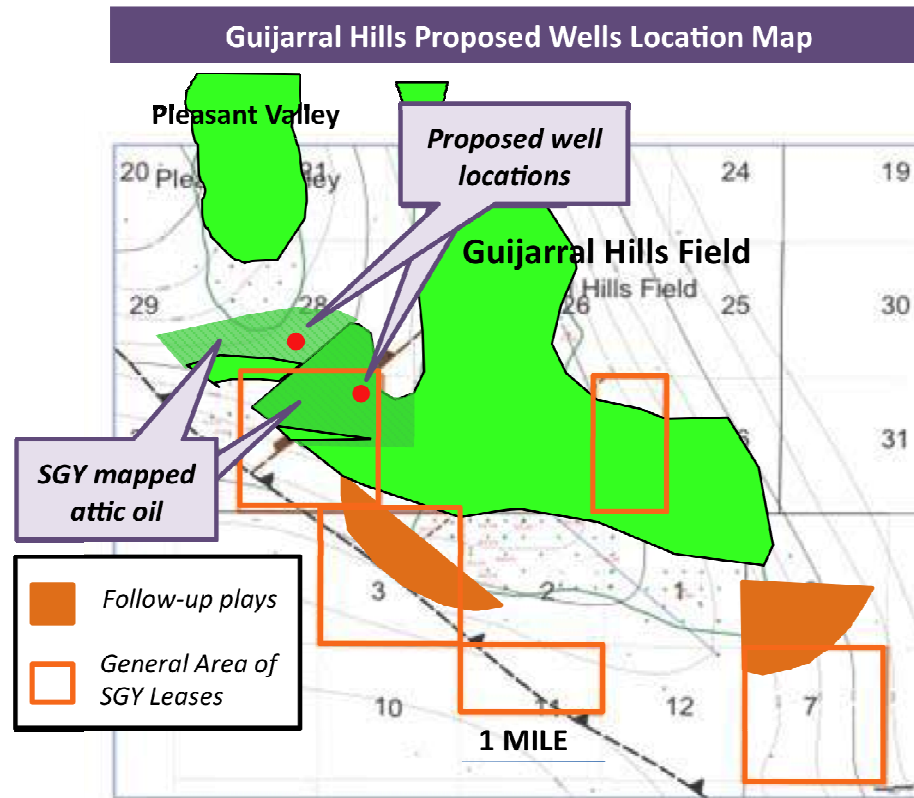


# Guijarral Hills

SGY: 60% & Operator – rig now contracted for October drilling



- Abandoned oil field (discovered 1948)
- Produced over 50 MMBBLS of light oil with gas
- Est. 5-25 MMBBLS of recoverable oil in fault blocks that have not been drained in extensions of the field
- Wells targeting over 400 BOPD
- Rig contracted for drilling starting in October (2 wells planned)
- 8-10 development well sites identified if upcoming appraisal drilling successful
- 2 well farm-out program already announced



**A low risk appraisal/development project with major upside and excellent potential for near-term production.**

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# Guijarral Hills

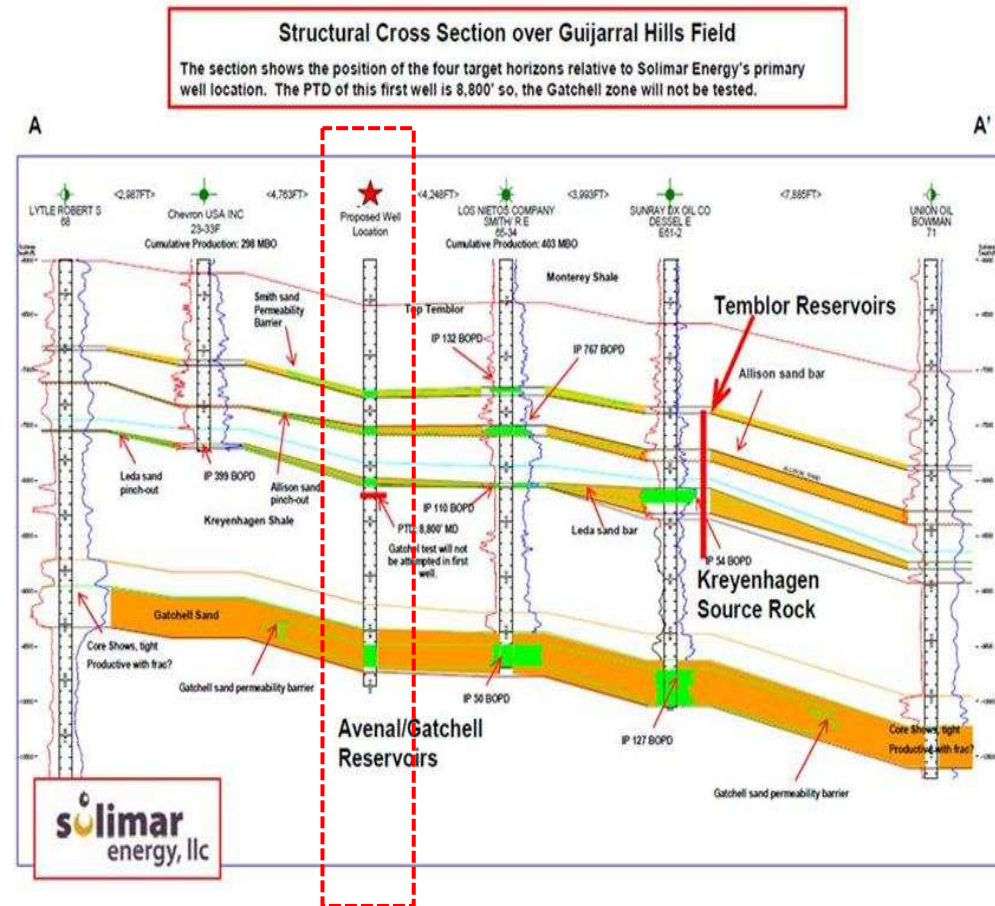
## Multiple targets



- **Exploitation:** Extend known production from Guijarral Hills Field westward. Low risk as there are four reservoir targets extending into the project area that have produced within 2,000ft of proposed location
- **Exploration:** Delineate new pools in five reservoirs in traps delineated by well, production and seismic data
- Very light oil ranging from 30° to 40° API. Target sands have excellent reservoir properties
- Oil reservoirs typed and correlated with the Kreyenhagen shale

### Estimated Un-risked Reserves

Most Likely Case	Upside Case	Upside Case
Exploitation Project Area	Appraisal Project Area	Exp/App All Leases
5 MMBBLS	10 MMBBLS	25 MMBBLS



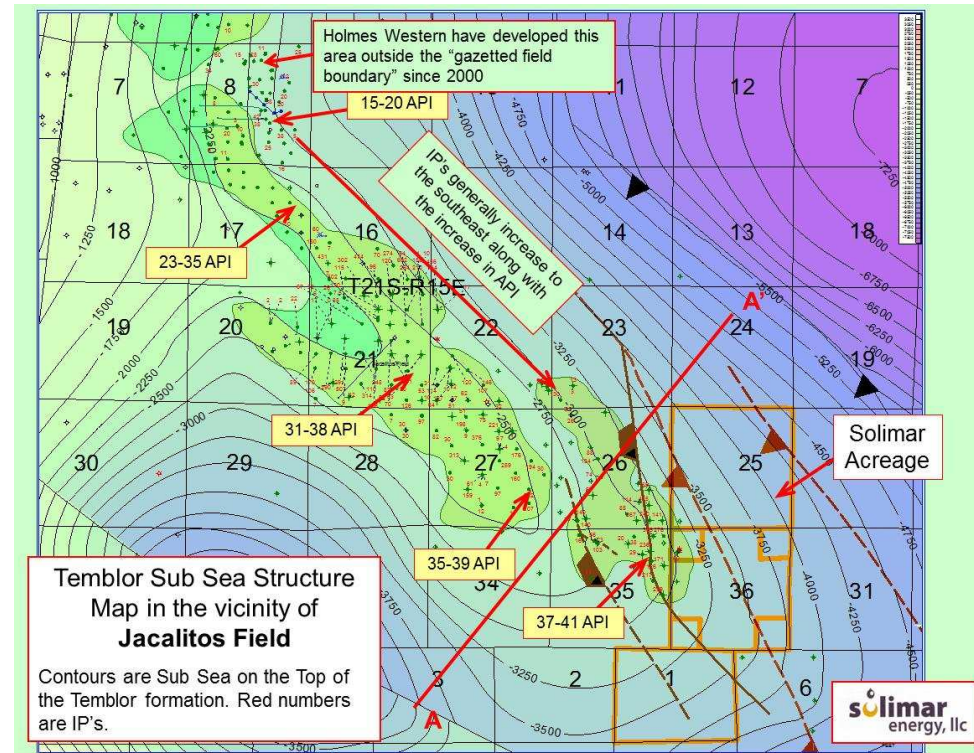
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# Jacalitos

SGY: 90% & Operator

- Drilling on the flank of an existing field with proven productive capabilities
- Numerous "step-out" locations identified from previously produced 20-30 MMBBLS Jacalitos light oil field
- Targeting light oil in a shallow reservoir (around 4,000ft)
- Targeting 100 BOPD per vertical well
- Drilling now planned in 1H 2011
- Numerous follow-up locations in controlled acreage – over 1,700 acres
- Farm-out discussions advancing

## Jacalitos Field – Temblor Sub Sea Structure Map



**A relatively low risk, low cost exploration/appraisal opportunity with estimated gross resource potential of 5-10 MMBBLS.**

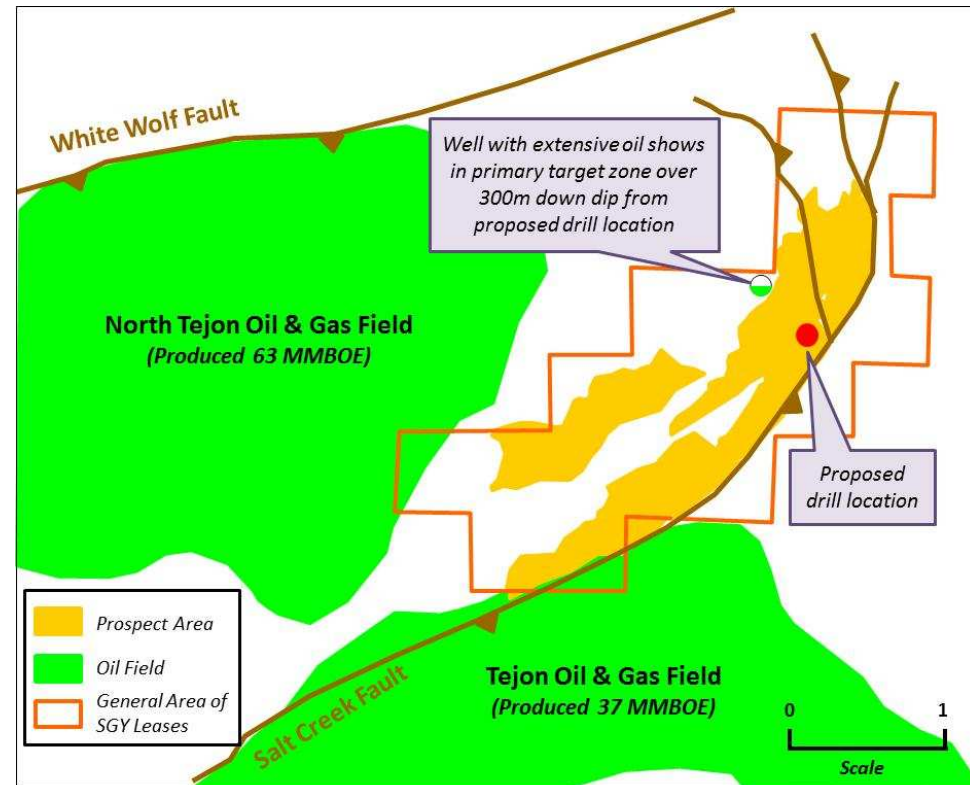
# Tejon Footwall Prospect

SGY: 40% - Large oil potential in trap type elevated by OXY discovery



- Located on the Tejon platform on the southern margin of the San Joaquin Basin, between two substantial producing oil and gas fields, North Tejon and Tejon (over 100 MMBOE recoverable)
- Footwall structure defined by 3-D seismic
- Numerous, stacked sandstone targets
- Similar geological play to nearby OXY discovery (350-500 MMBOE) - rated amongst the most important discovery onshore U.S. for many decades
- Currently in discussions with several farm-in partners
- Targeting first well early next year

Tejon Footwall Prospect – Schematic Map



**An exciting new exploration play with estimated gross resource potential of 50 MMBLS.**



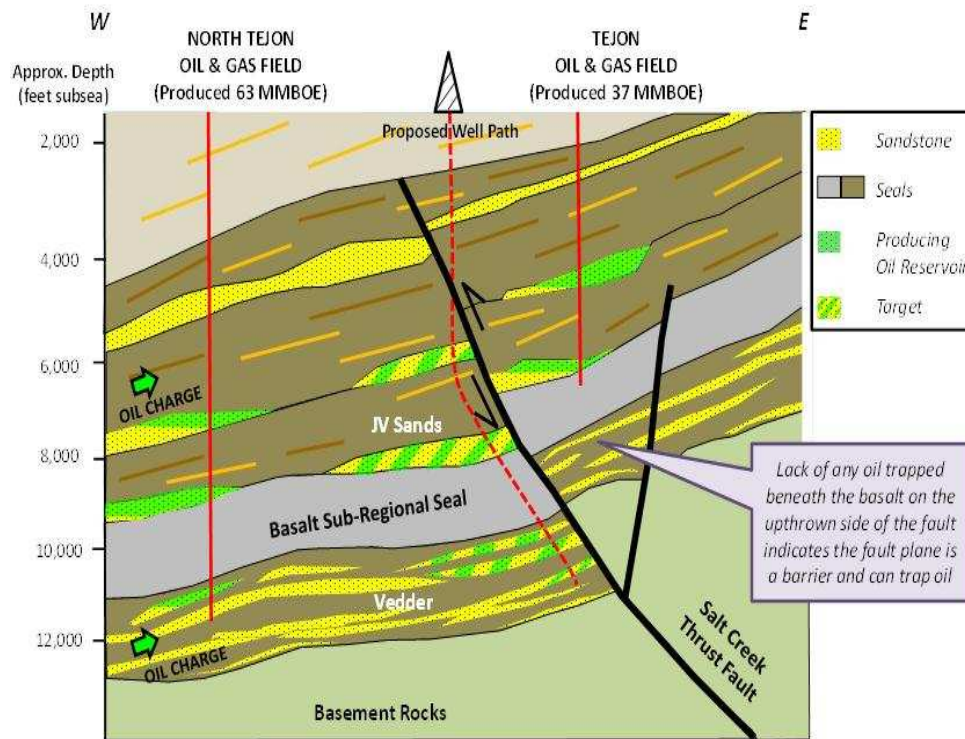
# Tejon Footwall Prospect

Wild card high impact exploration

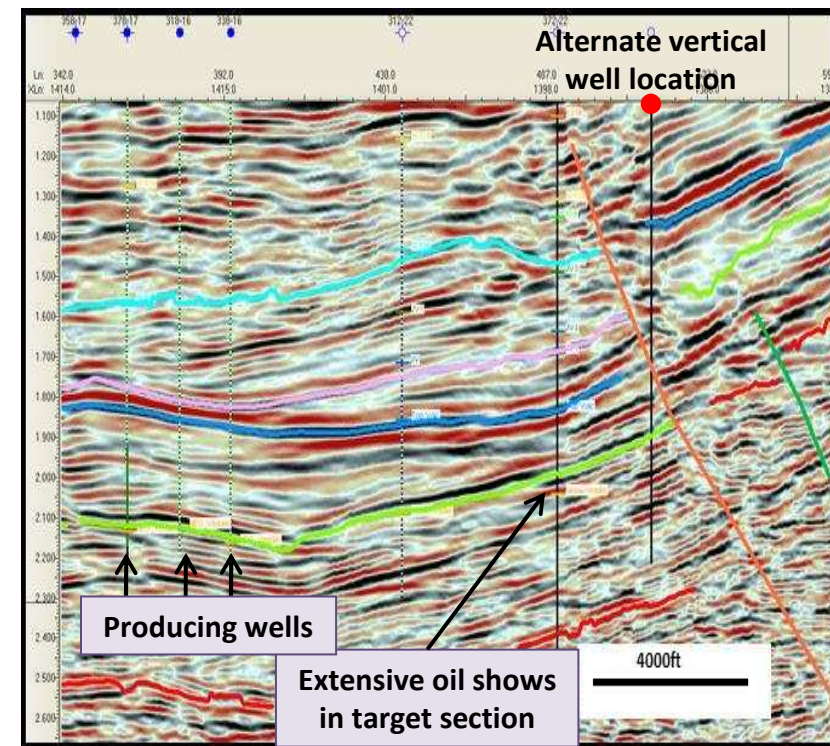


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### Schematic Cross-Section



### Prospect 3-D Seismic Line



**Footwall trap adjacent to oil production and up dip from oil shows.**

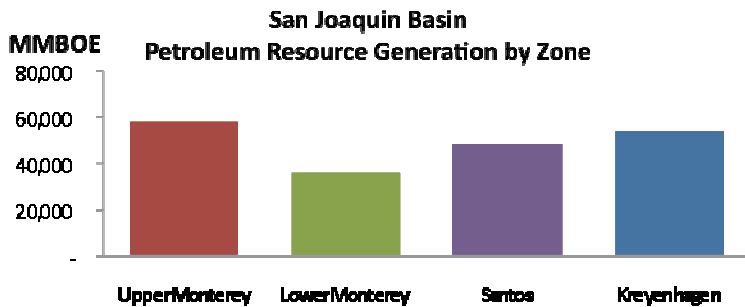
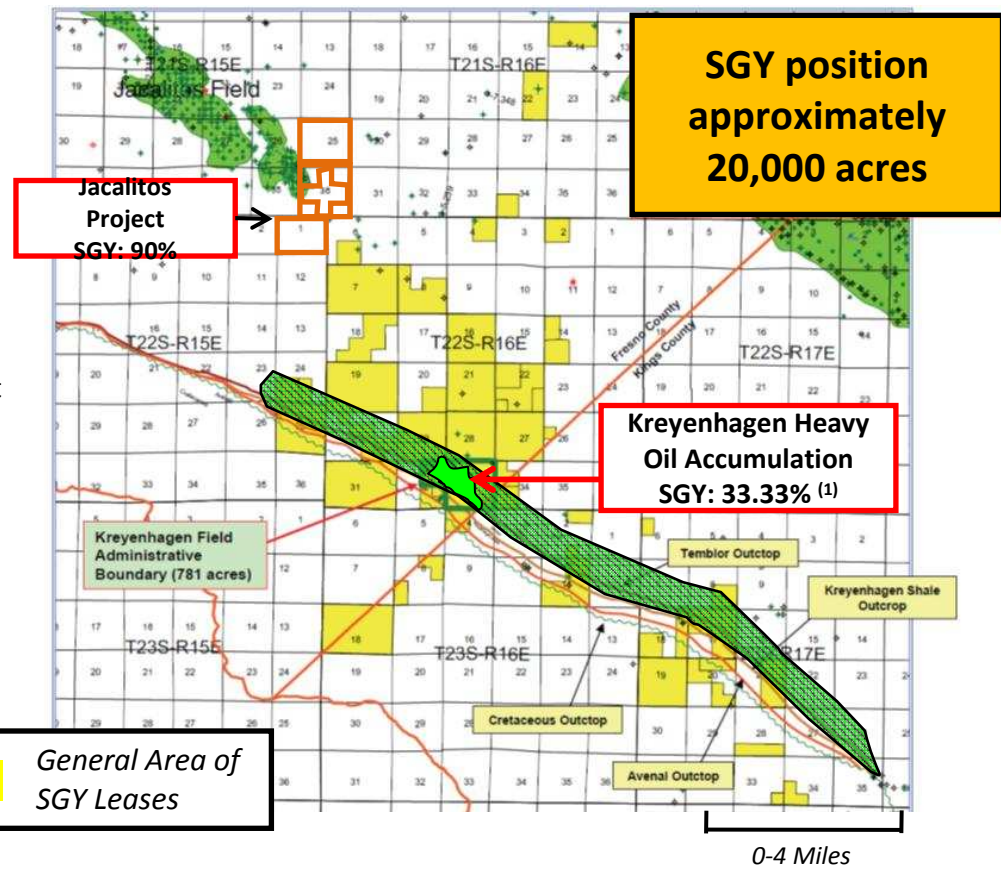


# Kreyenhagen Project – Heavy oil field

SGY: 33.33%<sup>(1)</sup> – Emerging project with large oil potential



- Large acreage position covering known heavy oil accumulation
- Potential for over 200 MMBLS of oil-in-place (controlled by 22 wells)
- Est. 38 MMBLS OIP in Central Field Administrative area
- Thick shallow sandstone reservoir with 300ft oil column
- Sandstone and fractured shale targets at shallow, less than 4,500ft target depths
- 4 modern wells suspended and available for re-entry and testing



**Kreyenhagen has the potential to be the Company's biggest project with in-field activity commencing late in 2010.**

<sup>(1)</sup> Minimum equity position with lease documentation being finalised

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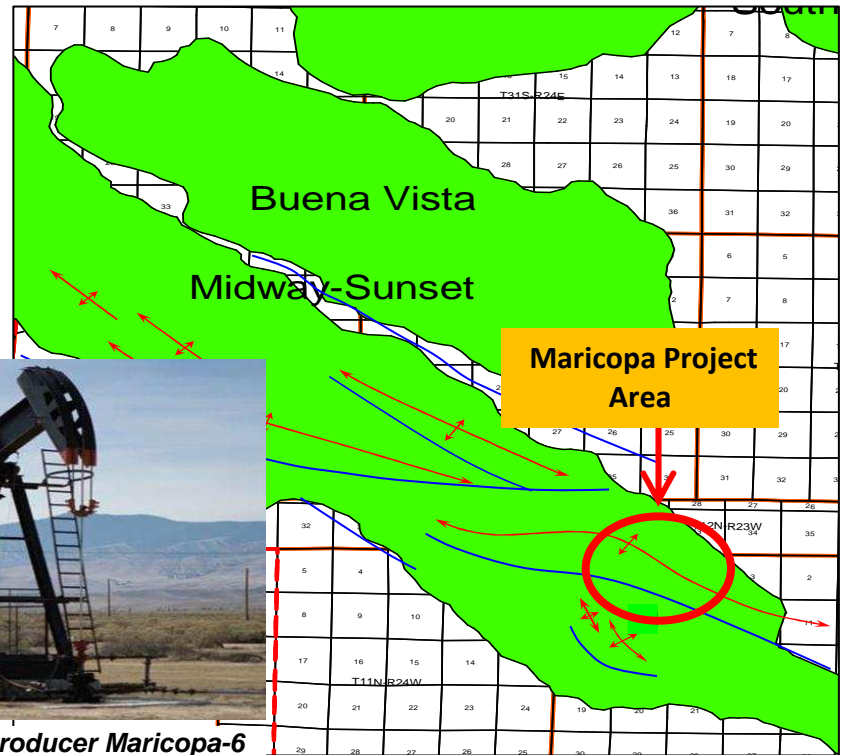
# Maricopa Oil Project

SGY: 50% & Operator



- Small but good economics
- Shallow (3,400ft) sandstone reservoir
- Drilled 2 wells in 2008
  - Maricopa-6: 22-31 BOPD
  - Maricopa-7: 5-28 BOPD (currently shut in pending improvement to water handling facilities)
- Additional well locations identified
- 23° API oil
- Very steady production with good potential to increase further

Maricopa Project Location Map



Beam Pump on Oil Producer Maricopa-6

**A low risk oil development project located within one of the largest onshore oil fields in the world, the 3.5 billion barrel Midway Sunset oil field.**

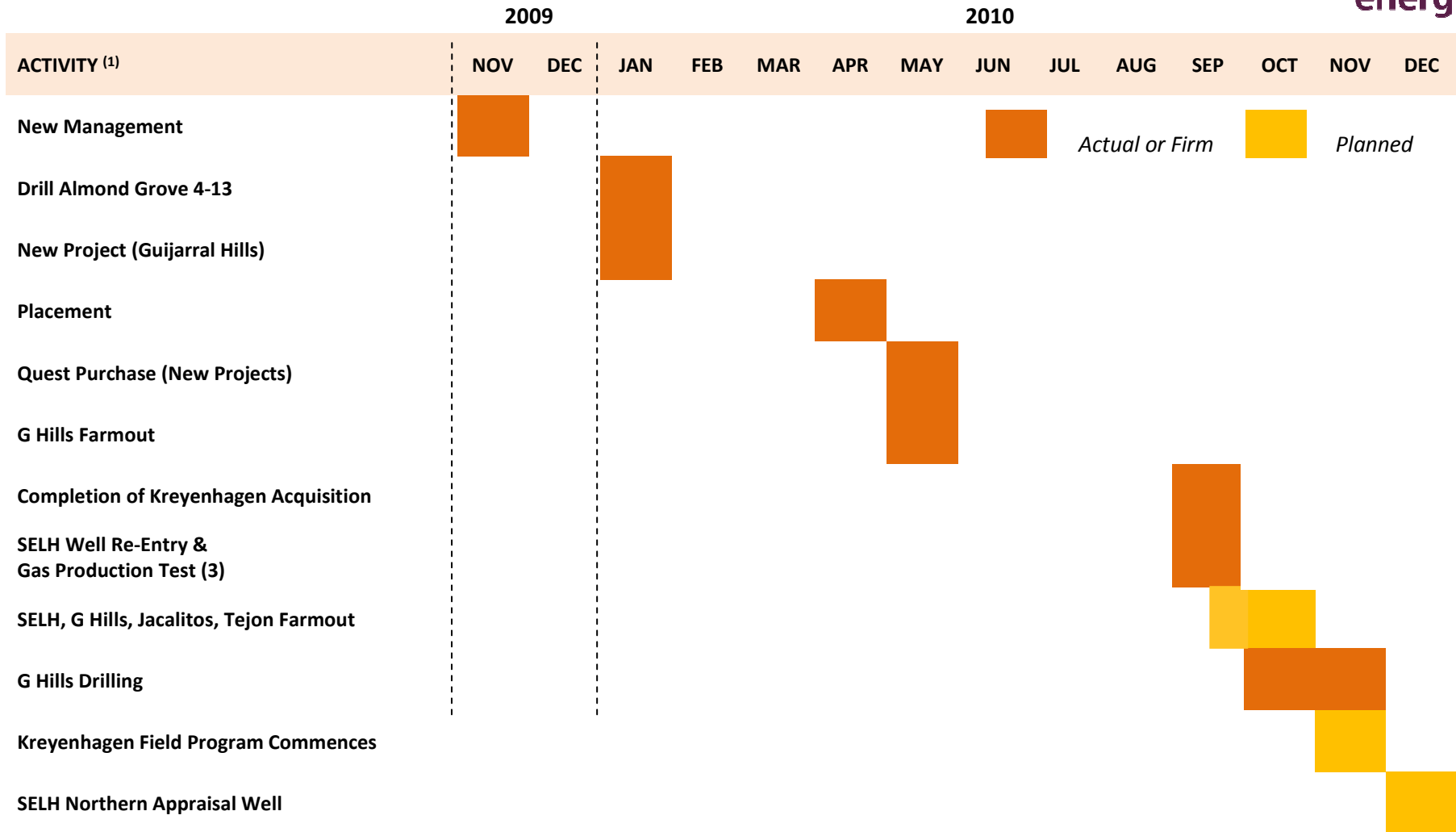
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# Executing our strategy

Successful build-up of portfolio and drilling activity



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(1) All planned activities are subject to future essential approvals and in the case of drilling rig availability

(2) Subject to satisfactory completion of negotiations

# Conclusions



- California is now on the world map as having tremendous exploration potential following OXY's huge oil and gas discovery
- SGY has substantially increased its exposure with the recent acquisition of several high impact oil projects to complement its existing asset base in California
- SGY now has over 25,000 acres of highly prospective acreage with activity planned on most of this acreage
- Numerous oil and gas projects ranging from low risk field appraisal to higher risk and more impactful exploration
- Potential to significantly enhance current production with low risk activities at SELH and Guijarral Hills
- Farmouts already secured on higher cost ventures
- Continued discussion with third parties regarding farm-outs of other projects at SELH, Jacalitos and Tejon Footwall projects
- Active forward well re-entry and drilling program commencing shortly



## Contact Us



For more information on Solimar Energy Limited visit our website:

[www.solimarenergy.com.au](http://www.solimarenergy.com.au)

**Registered Address:**

Solimar Energy Limited  
(ABN 42 112 256 649)  
566 Elizabeth Street  
Melbourne Victoria 3000  
Australia

**Telephone:**

(61 3) 9347 2409

**Facsimile:**

(61 3) 9349 1186

**Email – Investor Enquiries:**

[info@solimarenergy.com.au](mailto:info@solimarenergy.com.au)

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