

# Gran Tierra Energy Announces US\$299 Million Capital Program for 2011

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**Thirteen exploration wells and eight development wells in Colombia, Peru, Argentina and Brazil targeting a net risked resource potential of 130 million barrels of oil and 120 billion cubic feet of gas**

CALGARY, Dec. 20 /CNW/ - [Gran Tierra Energy Inc.](#) ("Gran Tierra Energy") (NYSE Amex: GTE, TSX: GTE), a company focused on oil exploration and production in South America, today announced a 2011 capital spending program of US\$299.2 million for exploration and production development operations in Colombia, Peru, Argentina and Brazil. The capital spending program includes US\$146.9 million allocated for drilling and completions, \$74.4 million for facilities, equipment, pipelines and other costs, and US\$77.9 million for seismic activities. This budget includes the drilling of ten wells in Colombia, three wells in Peru, two wells in Argentina and six wells in Brazil. The approved 2011 budget also includes funds for 370 km of 2D and 495 km<sup>2</sup> of 3D seismic acquisition programs in Colombia, Peru, Argentina and Brazil, primarily in preparation for additional exploration and production drilling operations in 2012.

The net risked prospective resource potential of the 2011 exploration program totals approximately 130 million barrels of oil, with the Valle Morado delineation well targeting a net risked prospective resource potential of approximately 120 billion cubic feet of gas.

Excluding potential exploration success, production in 2011 is expected to range between 21,500 to 23,500 barrels of oil equivalent per day ("BOEPD") gross, or 16,000 to 18,000 BOEPD net after royalty.

Gran Tierra Energy had US\$308.4 million in cash and equivalents at the end of the third quarter 2010 and has no debt. The 2011 work program and budget is expected to be funded from cash-flow from operations with the balance from cash on hand as necessary.

"Gran Tierra Energy greatly expanded its land position in 2010, while retaining an exceptionally strong balance sheet, positioning the company to undertake its most ambitious exploration program to date," said Dana Coffield, President and Chief Executive Officer of Gran Tierra Energy. "A number of our exploration wells budgeted for 2010 have slipped into 2011 due to a variety of regulatory and operational delays. These are planned to be drilled early in 2011 and are being complemented with additional new exploration drilling opportunities. In addition, development drilling and new facilities construction is intended to bring on new production from new reserves found in 2010. Finally, an extensive seismic program is being acquired in all four countries in preparation for continued exploration and development activities in 2012 and beyond."

## Colombia

The Colombia capital budget for 2011 is planned to be US\$147.8 million. Facility construction associated with ongoing development of the Moqueta field along with further facility work at Costayaco, in addition to other work, is expected to be US\$30.1 million. US\$53.0 million is budgeted for seismic acquisition and US\$64.7 million is budgeted for exploration and development drilling. During 2011, Gran Tierra Energy expects to drill four gross exploration wells, two stratigraphic test wells, four gross development wells, and acquire in excess of 440 km<sup>2</sup> of 3D seismic and 370 km of 2D seismic in Colombia. The six well exploration program has a net risked resource potential of approximately 15 million barrels of oil.

## Putumayo Basin

Gran Tierra Energy is the largest exploration landholder in the Putumayo Basin of southern Colombia, with working interests in 10 exploration and production licenses pending Colombia's National Hydrocarbon Agency approval on the Putumayo 10 block. Total acreage encompasses 719,321 gross acres or 559,844 net acres.

## **Chaza Block** (100% working interest and Operator)

With the successful discovery of oil at Moqueta in 2010, new infrastructure construction is planned for the

field including further appraisal with two wells, Moqueta-5 and Moqueta-6, construction of a six inch diameter, 8 km long flow line to Costayaco, gas reinjection facilities, road access construction and full field development planning.

Seismic acquisition is planned to continue on the Chaza block to further delineate the Moqueta field and to evaluate new prospects along trend with Moqueta.

Gran Tierra Energy intends to drill the Canangucho-1 exploration well to the east of the Costayaco field in the first quarter of 2011.

Development drilling in the Costayaco field is planned to include one horizontal water injector, Costayaco-14 on the western flank of the field to provide additional pressure support for the T Sandstone and to increase water disposal capacity.

**Rumiyaco Block** (100% working interest and Operator)

Rumiyaco-1, Gran Tierra Energy's first exploration well in the block, is expected to be spud in the second quarter, 2011.

**Azar Block** (40% working interest and Operator)

Gran Tierra Energy plans to begin drilling the La Vega Este-1 exploration well in the third quarter of 2011.

**Piedmonte Norte Block** (100% working interest and Operator)

Gran Tierra Energy intends to drill a stratigraphic test well on the Piedmonte Norte block in the third quarter of 2011.

**Putumayo-10 Block** (100% working interest and Operator)

Gran Tierra Energy intends on drilling a stratigraphic test well on the Putumayo-10 block in the fourth quarter of 2011.

**Guayuyaco Block** (70% working interest and Operator)

Gran Tierra Energy intends on drilling a development well, Juanambu-3, in the Juanambu Field in the first quarter of 2011.

**Llanos Basin**

**Garibay Block** (50% non-operated working interest; CEPSA is operator with 50% working interest)

Plans to drill a second exploration well on the Garibay Block, Melero-1, are currently underway with the operator of the block intending to begin drilling in the second quarter of 2011.

**Cauca Basin**

**Cauca-6 and Cauca-7** (100% working interest and Operator, pending E&P contract signature)

Pending final execution of contract with the National Hydrocarbon Agency for these two frontier exploration blocks encompassing approximately 1.36 million acres, Gran Tierra Energy intends to acquire regional gravity and magnetic surveys, conduct surface geologic studies, and acquire approximately 200 km of 2D seismic data.

**Peru**

Gran Tierra Energy has accumulated a large land position in Peru, encompassing approximately 11.4 million gross acres or 5.5 million net acres on 6 blocks in the Mara on Basin. The Peru budget of \$55.9 includes

drilling three exploration wells with drilling costs anticipated to be US\$34.2 million and approximately US\$19.2 million budgeted for seismic work. Gran Tierra Energy is targeting a net risked resource potential of 105 million barrels of oil in Peru.

## **Marañon Basin**

### **Blocks 122 & 128** (100% working interest)

These blocks are located on the eastern flank of the Marañon Basin of northern Peru, and encompass 3.4 million acres of land over the crest and flanks of the Iquitos Arch. To date, more than one billion barrels of recoverable oil has been discovered in the adjacent Marañon Basin. Gran Tierra Energy plans to begin drilling the first exploration well, Kanatari-1, in Block 128 in January, 2011. This is expected to be followed by a second exploration well, Pichico-1, on Block 122 in the third quarter of 2011.

### **Blocks 123, 124 & 129** (20% non-operated working interest; ConocoPhillips is the Operator)

Seismic acquisition and processing is planned to continue in 2011 in Blocks 123, 124 and 129, with exploration drilling environmental impact assessments to be conducted concurrently in blocks 123 and 129.

### **Block 95** (60% working interest and Operator; Global Energy Development is non-operating partner with 40% working interest)

Upon approval of assignment of interests to Gran Tierra Energy by PeruPetro, Gran Tierra Energy plans to drill one exploration well in Block 95 in the fourth quarter of 2011. The contract area contains the Breña-1 well, which was drilled in 1974 and tested 18° API gravity oil on natural flow rates of approximately 800 barrels of oil per day.

## **Argentina**

### **Noroeste Basin**

Gran Tierra Energy is the largest exploration landholder in the Noroeste Basin of northern Argentina. Gran Tierra Energy has a working interest in seven blocks of land it operates, encompassing approximately 1.6 million gross acres, or 1.3 million net acres.

Argentina's capital budget of US\$39.8 million includes US\$30.6 million allocated to drilling and US\$7.3 million associated with facility construction, and US\$1.9 million in geological and geophysical work. Drilling capital includes capital to conclude drilling the VM.x-1001 initiated late in 2010, in addition to one development well planned to be drilled in the Palmar Largo oil field and one development well planned to be drilled in the Surubi oil field in the first and third quarters respectively.

In the Valle Morado block, the re-entry and sidetrack of the VM.x-1001 well is ongoing and expected to conclude in March, 2011. The sidetrack well is being drilled to test the resource potential discovered by the VM.x-1001 well. Existing pipeline and gas processing plant capacity is capable of handling 30 million standard cubic feet of gas per day.

With potential success at the VM.x-1001 well, Gran Tierra Energy's Argentina production could grow to approximately 3,000 BOEPD net after royalty in the fourth quarter of 2011. Gran Tierra Energy is targeting a net risked resource potential of 120 billion cubic feet of gas in Valle Morado.

## **Brazil**

Upon the anticipated regulatory approval from Brazil's Agência Nacional de Petróleo, Gás Natural e Biocombustíveis ("ANP"), Gran Tierra Energy will become the operator and hold a 70% working interest in Blocks REC-T-129, -142, -155 and -224 in the onshore Recôncavo Basin. Gran Tierra Energy has budgeted US\$54.7 million for Brazil with US\$17.4 million budgeted for drilling and completions.

Upon approval from the ANP, Gran Tierra Energy expects to spud the first conventional light oil exploration well in Block 129 in the second quarter, 2011. This is planned to be followed by up to three additional exploration wells including two wells on Block 142 and one well on Block 155. This program is targeting a net risked resource potential of 10 million barrels of oil. In addition, 2 development wells are planned on Block 155 in an existing light oil discovery with an estimated unaudited gross recoverable resource of 6 million barrels of oil.

## **Operations Update**

### ***Colombia - Chaza Block***

The Pacayaco-1 exploration well in the Chaza Block has reached 9,910 feet measured depth without encountering the expected target reservoir sandstones. An unexpectedly thick Villeta shale section was encountered, with thin sandstone and limestone intervals encountered that had poor to fair oil shows. Hole integrity and drilling issues did not allow drilling to continue deeper. The results are inconsistent with the existing 2D seismic interpretation, so the well has been suspended until the acquisition of new 3D seismic over the prospect is completed in January and subsequently interpreted. A decision will then be made whether to deepen or sidetrack the well to a more optimal bottom-hole location.

Location construction for the Canangucho-1 exploration well in the Chaza Block is ongoing. Drilling is expected to commence in January, 2011.

Mobilization of the rig to drill the Moqueta-4 delineation well in the Moqueta oil discovery, also in the Chaza Block, is ongoing with drilling expected to commence in late December.

Mobilization of the rig to drill the Taruka-1 exploration well in the Piedemonte Sur Block is ongoing with drilling expected to commence in late December.

### ***Peru - Blocks 122, 123, 124, 128 and 129***

Location construction for the Kanatari-1 exploration well in Block 122 is nearing completion and rig mobilization is planned to begin in late December. Drilling is expected to commence in mid-January, 2011. Seismic acquisition operations are ongoing in Block 122.

A 900 km 2D seismic acquisition program is ongoing in Blocks 123 and 129.

### ***Argentina - Valle Morado Block***

Drilling of the VM.x-1001 sidetrack in the Valle Morado gas field is continuing at approximately 10,600 feet measured depth; drilling is expected to be completed in February, 2011. Testing is expected to commence in the second quarter of 2011.

### ***Brazil - Blocks REC-T-129, -142, -155 and -224***

A new 93 km<sup>2</sup> 3D seismic acquisition survey covering Blocks REC-T-129, -142 and -155 has been completed and is currently being processed, as reported by the block's concessionaire Alvorada Petróleo. This newly acquired seismic data is expected to be used to finalize two development and four exploration well locations for drilling in 2011.

## **About Gran Tierra Energy Inc.**

Gran Tierra Energy is an international oil and gas exploration and production company, headquartered in Calgary, Canada, incorporated in the United States, trading on the NYSE Amex Exchange (GTE) and the Toronto Stock Exchange (GTE), and operating in South America. Gran Tierra Energy holds interests in producing and prospective properties in Argentina, Colombia, Peru, and Brazil. Gran Tierra Energy has a strategy that focuses on establishing a portfolio of producing properties, plus production enhancement and exploration opportunities to provide a base for future growth.

Gran Tierra Energy's Securities and Exchange Commission filings are available on a web site maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information concerning Gran Tierra Energy is available at [www.grantierra.com](http://www.grantierra.com), on SEDAR ([www.sedar.com](http://www.sedar.com)) and with the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)).

## ***Forward-Looking Statements and Advisories***

*This news release contains certain forward-looking information and forward-looking statements (collectively,*

"forward-looking statements") under the meaning of applicable securities laws, including Canadian Securities Administrators' National Instrument 51-102 - Continuous Disclosure Obligations and the United States Private Securities Litigation Reform Act of 1995. The use of the words "expects", "expected", "anticipated", "targeting", "potential", "positioning", "planned", "plans", "continued", "intends", "estimated," "will" and similar words identify forward-looking statements. In particular, but without limiting the foregoing, this news release contains forward-looking statements regarding Gran Tierra Energy's planned and expected capital expenditures, drilling, construction, acquisition of seismic, production and resource potential in South America.

The forward-looking statements contained in this news release reflect several material factors and expectations and assumptions of Gran Tierra Energy including, without limitation, assumptions relating to field size and recoverability. Gran Tierra Energy believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking statements contained in this news release are subject to risks, uncertainties and other factors that could cause actual results or outcomes to differ materially from those contemplated by the forward-looking statements, including, among others: certain farm-in contracts are subject to regulatory approval, the timing and results of which are outside of Gran Tierra Energy's control, which approval if not obtained or delayed could cause the transaction not to occur, thereby decreasing Gran Tierra Energy's participation interests; unexpected technical difficulties and operational difficulties may occur, or delays in obtaining necessary permits may continue which could impact or delay the commencement of drilling exploration wells; Gran Tierra Energy's operations are located in South America, and unexpected problems can arise due to guerilla activity; geographic, political and weather conditions can impede testing, which could impact or delay the commencement of drilling exploration wells; and the risk that current global economic and credit market conditions may impact oil prices and oil consumption more than Gran Tierra Energy currently predicts, which could cause Gran Tierra Energy to modify its exploration and drilling activities. Although the current capital spending program is based upon the current expectations of the management of Gran Tierra Energy, there may be circumstances where, for unforeseen reasons, a reallocation of funds may be necessary as may be determined at the discretion of Gran Tierra Energy and there can be no assurance as at the date of this press release as to how those funds may be reallocated. Should any one of a number of issues arise, Gran Tierra Energy may find it necessary to alter its current business strategy and/or capital spending program. Accordingly, readers should not place undue reliance on the forward-looking statements contained herein. Further information on potential factors that could affect Gran Tierra Energy are included in risks detailed from time to time in Gran Tierra Energy's Securities and Exchange Commission filings, including, without limitation, under the caption "Risk Factors" in Gran Tierra Energy's Quarterly Report on Form 10-Q filed November 4, 2010. These filings are available on a Web site maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) and on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this press release are made as of the date of this press release and Gran Tierra Energy disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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