

Sintana Energy acquires significant, unconventional shale assets in Colombia's prolific Middle Magdalena Basin

by Kathrine Moore

Sintana Energy Inc. [SNN-TSXV] is an oil and gas exploration company with a portfolio of attractive exploration projects in the prolific Magdalena Basins in Colombia and the Sechura Basin in Peru.

Colombia and Peru provide exceptional opportunities to acquire, explore and develop major, proven oil and gas fields that have the potential for world-class discoveries. They also have democratic governments, competitive royalty and tax regimes and below average production costs, which will support Sintana's goal of transitioning from the acquisition and exploration stages into the production stage.

Sintana's stated strategy is to gain land positions in proven oil-prone basins that have overlooked or undervalued prospects. Sintana looks for prospects near infrastructure that preferably have both conventional and unconventional liquid hydrocarbon potential. Consistent with this strategy, in March 2012, Sintana entered into a definitive agreement providing for a business combination with Colcan Energy Corp., a private Ontario company with attractive oil and gas properties in Colombia. The business combination is expected to be completed in the second

quarter of 2012. The company stated in a March 13 press release, "The principal purpose of the business combination is to combine the oil and gas assets presently held by Sintana with those owned or in the process of being acquired by ColCan in Colombia's proven basins."

Sintana brings working interests in four blocks to the deal. Three of the blocks are in Colombia's Upper Magdalena Basin; the Talora, Cor-11 and Cor-39. The other is Block XXVII in Peru's Sechura Basin. ColCan brings to the combined entity working interests in four blocks. Three blocks are in Colombia's Middle Magdalena Basin; the VMM-4, VMM-15 and VMM-37, the other (LLA-18) in the Llanos Basin. This marks Sintana's entry into the Middle Magdalena, Colombia's most prolific oil and gas producing basin.

Major players in the Middle Magdalena's emerging unconventional shale play include Shell, Lewis Energy, EcoPetrol, Canacol Energy and ExxonMobil. Canacol Energy Ltd. announced in early April that its wholly-owned subsidiary entered into a \$50 million farm-out agreement on the VMM-2 block with ExxonMobil Exploration Colombia Limited. ExxonMobil will earn its interest by drilling three wells to test both the conventional and unconventional resource potential of the VMM-2 block. The adjacent VMM-3 is also being explored by Shell Oil Company for its unconventional shale potential. Both of these blocks are located very close to Sintana's VMM-4 block.

A February 2012 Middle Magdalena Basin resource estimate ranges from several billion to almost 40 billion barrels of oil (Source: Colombian Agencia Nacional de Hidrocarburos and Universidad Nacional de Colombia). Conventional and unconventional resource estimates for Sintana's

VMM-37 block range from 14 to 201 million barrels of recoverable oil according to a NI 51-101 resource report by Petrotech Engineering.

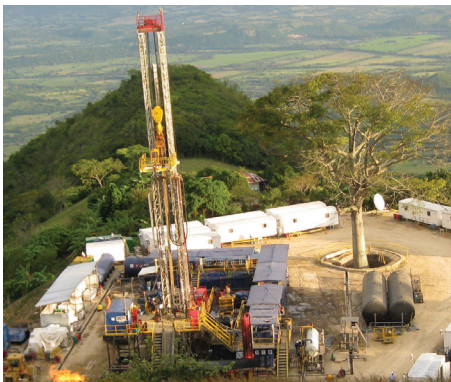
Resource World Magazine last covered Sintana Energy in the October issue. At the time, Sintana had already acquired its initial land positions in some geologically promising areas of Colombia and Peru. The addition of ColCan's prospects more than doubles Sintana's Colombian land position, increasing its gross acreage holdings in Colombia from 331,000 acres to nearly 700,000 acres. Total gross acreage of the combined entity, including in Peru, will be close to 875,000 acres. Working interests for the eight blocks to be held by the combined entity range from 25% to 100%.

Explorations wells are planned for the Talora, Cor-11 and Cor-39 blocks. Sintana's goal is to have 12 wells drilled over the next 18 to 24 months at a cost of approximately \$70 million. The drilling program is expected to be largely funded by farm-in agreements.

Sintana's chief executive officer, Doug Manner, commented: "The four new assets involved in this merger provide Sintana with a significant advancement towards our strategic goals in the area. They enhance our prospect inventory and add tremendous reserve potential, both conventional and unconventional. The 25% carried interests in three of the blocks as well as the 100% working interest in VMM-37, which could be farmed out for additional capital carries, allows Sintana to significantly increase its drilling inventory with minimal additional capital required."

On April 10, 2012, Sintana and Colcan announced a change from a marketed private placement by co-lead Canaccord Genuity and Cormark Securities to a bought deal of \$11 million. Proceeds from the offering will be used by the combined company to fund its capital expenditure program in South America and for general corporate purposes.

The members of Sintana's Technical Team have extensive experience and have successfully worked on major discoveries throughout the Americas. Sintana has 113.6 million shares issued and outstanding, 133.7 million, fully diluted. ■



Drilling of the Verdal #1 gas discovery well at the Company's Talora project in Colombia. Photo courtesy of Sintana Energy.