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SHOAL POINT ENERGY (SHP) \$0.27 n/c

### Interview with George Langdon

John Clarke used to be one of Canada's highest rated oil and gas analysts. Now he is actually working in the business and he has recently taken a role as a director of Shoal Point Energy, a play in the near offshore western Newfoundland, that a couple of people say one should be looking at.

Once again, high risk/high reward folks.

Time to have a visit with company president George Langdon.

George, let's start and do this in baby talk because this is new to a lot of people. All of a sudden we're not talking about shale gas but shale oil. What is it?

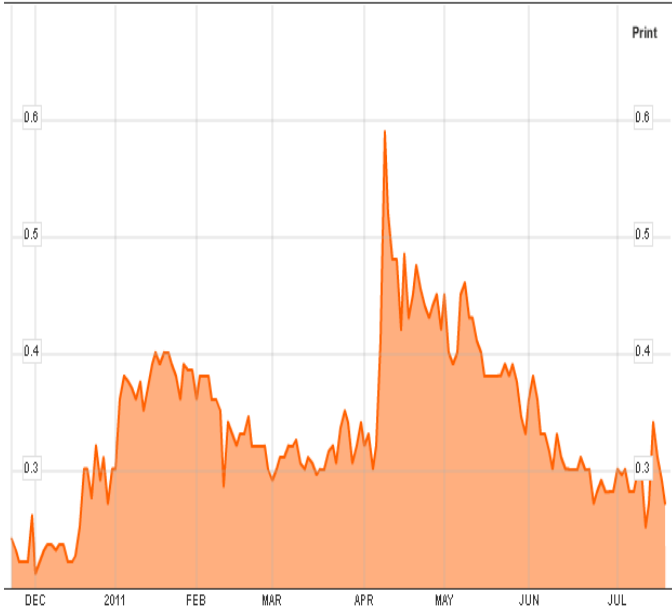
GL: Shale oil comes from the same source rocks as shale gas; it's just a different level of maturation of the source rock, related mainly to depth of burial in the earth over geologic time. Shale gas usually has a deeper burial history and that means you have cracked most of your hydrocarbons into methane and the end product is natural gas.

Shale oil means that during the millions of years you are developing the source rock section it remains in the oil window, it has never been buried any deeper and turned into gas.

In the old days we called the organic rich rocks the source rocks, within the conventional petroleum system (reservoir, traps, seal, source rocks); nowadays, in unconventional plays, the source rock is the reservoir as well and we're looking for oil in those source rocks, from which we now have the technology to extract the oil.

DP: There are some absolutely astounding numbers being bounced around for the potential for Shoal Point, the question always is, how much of these numbers could be commercial, if any?

GL: The numbers that we use, we're measuring the size, and don't have a lot of information at this point. We do have regional seismic. We'll come up with a number for regional oil in place. As to what might be produced from that, the recovery factor, on the conservative side right now we'd say in the 5% range, which would give you some very high numbers. In the future we feel that of course technology will get us more and more of that incremental oil out and over time it could be 10% it could be 15%. Let's say 5% for now.



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DP: Some of these studies out of Texas are suggestion as much as a billion barrels a square mile?

GL: Close to that, on the upside. We've got a proprietary study on our rocks from NuTech Energy Alliance in Houston who are petrophysical specialists in shale. They've been the first to recommend entries into some of the big shale basins and, yes, their analysis of our rocks, because of the great thickness we have in the two key wells, is very favorable.

Up until now we've seen 333 metres of oil-in-shale pay in one, and 887 metres of pay in the other. If you translate those pay thicknesses into unit volume, you can get something from the range of 380 up until 930 million barrels of oil in play per section, so it's almost a billion. Multiply that by the 300 or so gross sections we have and it's a very large number as oil-in-place resource.

If you do the math and multiply by 5% recovery factor you'll get an idea of how much oil might be recoverable over time.

I should mention that these are gross numbers; our working interest in our main block EL 1070 is 80.75%, and in the adjacent farm in block is a minimum of 48%.

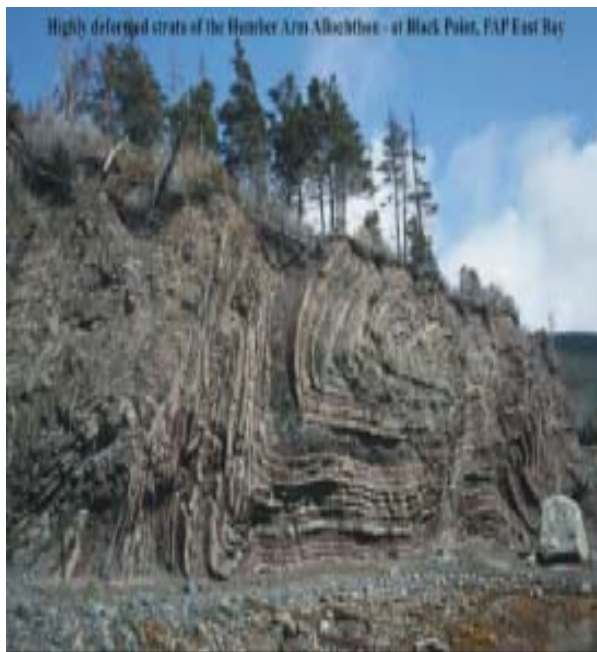
DP: You've got a new presentation out showing the flowing oil and shale, and it shows that huge amounts of North American actually have shale oil and shale gas, could North America ever become self-sufficient?

GL: Certainly in gas. The numbers in gas are staggering in shale, especially if you are include coal gas..

In oil I think there are some enormous oil resources found. The Green Point shale in Newfoundland, no one was ever talking about that until we did and I think there are other similar known basins. Some are better known now like the Bakken and the oil portion of the Barnett. The Eagle Ford is probably the most famous in North America for oil and there are some others. The U.S. drinks a lot of oil daily, I don't know if we can ever replenish all of it on a daily production basis, but I think these new unconventional shale basins will make a pretty significant dent in North American energy needs, both for oil and gas.

DP: Looking ahead, what kind of dates have you worked out for the next couple of quarters, and years?

GL: We have several big milestones. One is to finish the well we're running casing right now on, the 3K39 well, which we'd like to accomplish in the next couple of weeks. Then we are going to bring the service rig and test it - we'll attempt that initially through casing, without stimulation, because we think we have fractured rocks that may flow on their own. Then we will take the information, once we establish flow in the borehole, which will be important for us to get a reserve report, and which will be the basis for an application to the regulator for a significant discovery license that would give us as much land as we can protect using the geological story.. Such a license would give us that land in perpetuity as an area we would produce from.



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So those are two important milestones – the reserve report, and the SDL application. A third would be that we've just farmed into a block to the north, called EL 1120, an adjacent offshore block in western Newfoundland. The landholder there is a private company, and we have agreed to drill a well on that block by the end of December 2012. We would like to commence that operation by December of this year, so that is another big plan for us to drill another well on the adjacent land.

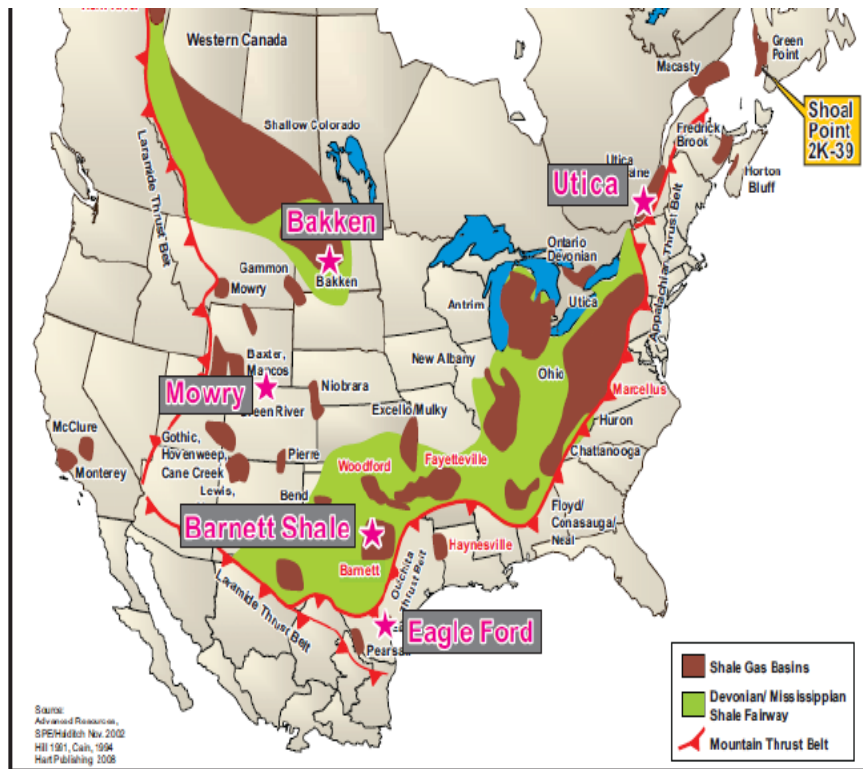
Between completing this current 3K39 well over the next 2 or 3 months, applying for the production license over the next 6 months, and commencing the drilling of another well on the adjacent farming block within 6 months, those are key timelines coming up for us.

DP: You do have a few challenges here, the kitty is almost barren and there are 160 million shares outstanding and few people have heard of the story so far.

GL: We're working hard at getting the story out; we do have some big, faithful shareholders in Toronto, overseas and the west. We just have to keep telling our story, get the stock price up, and hopefully be able to keep pace with the capital demands to push the project forward. We're talking to big, potentially strategic partners, which could help us by joint venturing or straight investment.

Our long term goal is to get a good price when a big company buys us out. I don't want to do that too early. We believe we have a world class asset that eventually will catch the eye of very large companies.

All these things, capitalizing ourselves, bringing in joint venture partners and selling the company at the right time are all within our scope.



DP: Your projection for the price of oil for this and next Christmas?

GL: We have a lot going on in the world, people are scared with what is going on in Europe, but there seems to be a steady thirst in the Far East. This Christmas I think oil should be around \$115. Only a part of that may be due to the devaluation of the US dollar.

DP: If you could buy only one stock other than your own, with no conflicts?

GL: One of the other big shale oil players in the States, Petrohawk, just got bought out by BHP for \$12 billion, so I would say there are some real jewels out there, although the ones that are well known now are fairly large.

If you're trying to find small companies, the lands are important, that is, if you could look at the geology and really understand what the treasure was. That's what we think we have. If you can identify that value I think you're going to make a lot of money on it. Personally, I only have enough resources to invest in my own companies, so I can't really recommend any other small ones.

## DEB'S DITTY:

On my computer there are two buttons representing things I can never have:  
Control and Escape