

Daily Oil Bulletin

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**International Frontier Resources
IFR – TSX-V**

Northern Parcels Attract \$124.9 Million

The central Mackenzie Valley took centre stage after five exploration licences in the Northwest Territories fetched \$124.9 million in work commitment bids while industry observers buzzed over a possible oil discovery near one of the sale parcels.

A total of 291 513 hectares went on the block in the first land sale in the NWT since 2000, at an average price per hectare of \$428.40.

The Department of Indian and Northern Affairs (DIAND) awarded Exploration License 423 to Northrock Resources Ltd. (32.5% operator), Husky Oil Operations Limited (29.48%), EOG Resources Canada Inc. (26.3975%), Pacific Roder Energy Inc. (6.63%) and International Frontier Resources Corporation (five per cent) for a work program bid of \$24.8 million. The license covers an area of 90 632 hectares located about 125 kilometres south of Norman Wells.

Paramount Resources Ltd. picked up two parcels, EL-424 and EL-426 for work commitments of \$8.1 million each. The former parcel, consisting of 80 608 hectares, is located about 40 kilometres north of Norman Wells while the latter, comprising 36 728 hectares, is located about 60 kilometres south of Colville Lake.

International Frontier said in a press release this morning that it was outbid by Paramount on EL-424.

Petro-Canada, meanwhile, anted up \$22 million for EL-425, a 27 488-hectare block adjacent to EL-426.

A fifth 56 057-hectare parcel in the Beaufort Sea went to BP Canada Energy Company (50%) and Chevron Canada Resources (50%) for \$61.88 million.

Industry attention, however, is focused on EL-423, where Northrock and partners are rumoured to have made a possible oil discovery about 80 kilometres southeast of Norman Wells.

The consortium on Jan. 16 spudded a new pool wildcat at 64.38 degrees North latitude and 125.89 degrees West longitude targeting an undisclosed zone at 3 035 metres or 9,957 feet. The Northrock Summit Creek B-44 was logged, drill stem tested and production cased to total depth in late March.

The B-44 drilling rig, Akita-Sahtu #40, was released and transported south on the winter road prior to break-up.

The two smaller partners, International Frontier and Pacific Rodera, have seen their share prices soar on rumours of a B-44 oil strike. Information on the well remains tightly held in the wake of Monday's sale of offsetting lands, although the companies are expected to release results shortly.

The B-44 well is located in a swampy, flat area of the Mackenzie Plain west of the Mackenzie River. The area is known as the Brackett Coal Basin, which has oil potential in the Cretaceous Slater River sandstone based on shows in the few previously drilled wells.

Jim Taylor, a freelance geologist who formerly worked the area for Canadian Forest Oil Limited, said he suspects Northrock may have indeed bagged an oil discovery based on a new geologic interpretation of the region.

Taylor told the Bulletin in an interview that the area contains sulphur-rich source rocks. Because sulphur is a catalyst for oil generation, it's possible significant volumes could be generated at shallower depths than previously thought.

"It doesn't take much burial to get in the oil window," he said. "I think they're a little deeper, but we basically had this prepared before they drilled the well."

Taylor and partner Ken Mitchell pitched the hypothesis at last week's Canadian Society of Petroleum Geologists' conference.

Taylor believes any discovery would certainly be an oil find, based on the level of activity and the lack of a gas pipeline. Taylor said there is speculation in Tulita that the well will be completed using a helicopter portable service rig this summer and that additional seismic fieldwork is planned.

"If it was a gas show, they'd probably defer to next season," he said. "It's more of an indication that maybe they got some oil."

"An oil discovery in this area is certainly long in coming."

The only oil production in the area is from the Devonian Kee Scarp Reef pool at Norman Wells, which was discovered in the 1920s. Oil production from the pool is presently

shipped south through Enbridge Inc.'s under-capacity, Norman Wells to Zama oil pipeline.

To date, Norman Wells has produced over 185 million bbls of a total estimated recoverable reserve of 240 million bbls, making it one of the largest single oil fields in Canada.

Although he said the final bid for EL-423 would be an indicator of the possible economic value of the Summit Creek hole, Taylor cautioned against reading too much speculation in the absence of concrete results.

"One DST doesn't make a bonanza," he said.