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Quebec juniors find oil in Gaspé

Junex and Petrolia to begin testing well this weekend

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CALGARY - A pair of junior companies pioneering oil exploration in Quebec may have struck the province's first significant oil pool.

Spokesmen for Junex Inc., based in Quebec City, and Petrolia Inc., based in Rimouski, said yesterday a well they drilled in the Gaspé peninsula at a depth of 1,500 metres produced 72 barrels of oil during drilling.

The well has to be tested to determine whether the find is commercial, but the signs are encouraging, said Jean-Yves Lavoie, president of Junex. The well's logs show a number of zones have the potential to hold oil or natural gas.

"In here -- in the Gaspé, in Quebec -- we don't have a culture of oil and gas, so we are acting as pioneers right now," Mr. Lavoie said. "The potential in those areas is great."

Isabelle Proulx, spokeswoman for Petrolia, said it is unusual for a well to produce so much oil during drilling.

"It's good news that it is coming out," Ms. Proulx said. "That is why Junex took the decision rapidly to come with us."

Junex said yesterday it has exercised an option to participate in the \$1-million well drilled by Petrolia, called Haldiman, and to become its operator.

Junex stock rose 23 cents yesterday to close at \$1.18, while Petrolia's stock lost 1 cent to close at 59 cents. Both companies trade on the TSX Venture Exchange.

While tiny by Western Canadian standards, the well is encouraging for the province, which believes it has considerable hydrocarbon potential and has improved its fiscal terms to encourage activity.

The province has seen exploration for 140 years, focusing initially on the Gaspé Peninsula, then moving to the St. Lawrence Lowlands.

But only two commercial gas finds have been made. They have been produced and turned into gas storage.

Last year, a Calgary-based junior, Questerre Energy Corp., persuaded Talisman Energy Inc., one of Canada's top oil and gas companies, to drill a well in the St. Lawrence Lowlands near Ste-Sophie, a parish near Trois Rivières between Quebec City and Montreal, south of the St. Lawrence River.

Talisman is currently shooting seismic and is expected to drill the well this year.

One of the targets the companies are pursuing is an extension of Talisman's Trenton Black

River play in Appalachia, located across the Canada/U.S. border, from which the senior firm is producing more than 100 million cubic feet of gas a day. The U.S. play is very busy, but the trend is untapped on the Quebec side.

Testing of the Gaspé oil well is expected to start this weekend and take approximately three weeks, Ms. Proulx said.

The companies said they won't know the size of the find until the testing is completed.

The well is located two kilometres south of Gaspé, in one of Quebec's most picturesque areas.

Dave Pepin, a spokesman for Junex, said the community would support oil and gas activity. "This is a poor region," he said. "If we are successful in finding oil in the region, everybody would be behind us, because it would have a huge economic impact."

The company drilled another well last year that is producing 10 to 12 barrels a day. The oil is transported by truck to a refinery near Québec City.

"It's not a lot, but it shows that the petroleum regime is working and now we have to invest more money to make a good discovery," Mr. Pepin said.

Last month, Junex announced an agreement with Team Energy Inc., a private Illinois-based firm that agreed to spend US\$24-million for oil and gas exploration in Québec.

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