

## **Gallic Energy Ltd. is Well Positioned for Growth in 2012, with Re-Entry of Two Wells in France Where Gas Prices are Two or Three Time that in the US**



**Energy**  
**Oil and Gas**  
**(GLC-TSXV)**



**William H. (Bill) Smith**  
**President, CEO and Director**

**BIO:**

Mr. Smith is a professional engineer with 40 years of oil and gas exploration and evaluation experience, largely focused on international projects. From 2000 to 2008 Mr. Smith was with AEC International Inc. and later Encana Corporation ("Encana"), where as VP France he was responsible for Encana's unconventional gas evaluation of Europe and its Foix project in the Aquitaine Basin of France. Mr. Smith has also held positions with Transworld Oil/Oman Oil, Forcenergy, and Anschutz Petroleum. Most re-

cently, Mr. Smith was the principal of W H Smith International Consultants, whose main clients were Canacol Energy Ltd. and Sprott Resource Corp. Mr. Smith has a B.Sc. and M.Sc. in Geophysical Engineering and a Ph.D. in Mineral Economics, all from the Colorado School of Mines.

**Company Profile:**

Gallic Energy Ltd. is a Canada-based international exploration company with a portfolio of oil and gas properties in France and Australia. Over the past year and a half, the company has acquired a new ownership group, a new board of directors and new management. The company is well funded in preparation for exploring and evaluating their existing properties and for new ventures expansion in other parts of Europe.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**

**CEOCFO:** Mr. Smith, you have a long history in the oil and gas industry; what attracted you to this particular project?

**Mr. Smith:** The Aquitaine Basin is an oil and gas producing area that has been basically looked at by one company, Total. They have had great success there, but we felt that there was a lot more oil and gas yet to be found. Gallic Energy has two properties offsetting some of these old large fields and I felt that it was a fantastic and under-explored exploration opportunity. I also felt it was a great opportunity to use my previous experience to guide a team into exploration and development of this property. So I jumped at it when I got this chance.

**CEOCFO:** What is happening on the ground today for Gallic Energy?

**Mr. Smith:** Construction has been completed for the first re-entry well, Ossun 2. Construction on the surface of our second re-entry, Azereix 1, is 50% to 60% completed and should be finished during the first half of January.

**CEOCFO:** Is Gallic Energy working this 100% yourself or are you sharing some of the expenses there?

**Mr. Smith:** Gallic has 100% working interest in the properties and therefore is funding all activities 100%.

**CEOCFO:** Do you expect to continue that way?

**Mr. Smith:** Yes we do. We will have a Halliburton work over rig arriving the first week of January, and re-entry work going through January and February on the Ossun 2 well, and through March and April on the Azereix 1 well. So we are committed and on track with a schedule.

**CEOCFO:** Why is France a good location for oil and gas?

**Mr. Smith:** What we like about our two projects in France is, firstly, the fiscal terms, with zero royalties on the first 10.5 BCF of production per field, per year and then very modest 5% royalty thereafter. The second factor is the exploration opportunity themselves. The multi-TCF fields were found in the 1950's and much of the exploration drilling was done in the 1950's or 1960's. Therefore, it is an opportunity for us to use modern exploration thought process, new technologies and then the last factor is the commodity prices. Gas is between \$8 and \$9 per MCF in France, two to three times the price in North America, and of course that price is much higher than when old explorers were looking in the 1950's and 1960's.

**CEOFO:** What are some of the newer technologies that you are able to take advantage of?

**Mr. Smith:** We do not have a monopoly on any technology, just what is available to all operators at this time. We are taking all the old log data from the wells to digitize those curves that have been saved on paper records and then do the computer generated interpretation. Then we re-process the old 1970's and 1980's vintage seismic data with today's computing power and algorithms which gives us a much better view of the sub surface. We do not have any proprietary technology, but we are very good at using the new technology that is available to all the industry now on an area that did not have that new technology used on it previously.

**CEOFO:** Gallic Energy has some other projects; what else is going on potentially for the company?

**Mr. Smith:** We also have a large 600,000 acre permit, held 100% in the Canning Basin of northwest Australia. That property certainly has value. A nearby operator, Buru Energy, has made a 1647 barrel a day discovery in the past few weeks. So that has drawn a lot of people's attention to the Canning Basin of Australia. However, our mandate from our board of directors is to focus on Europe. Australia is so far away that we are looking for a partner in Australia who can operate it on the ground, so that we do not dilute either our exploration dollars or our management and technical time. Additionally, we have applied for a 700 square kilometer exploration permit in another country in Europe. It is working its way through the government channels through the competitive process, so we are not at liberty to divulge much of the details. However, rest assured that our new ventures activities are ongoing, plus we have an additional exploration application ready that should be submitted early 2012.

**CEOFO:** Is your team in place; do you have the people you need?

**Mr. Smith:** Yes absolutely! I joined the company a year ago, and Dean Callaway joined the company as CFO on the 1<sup>st</sup> of November. The rest of the team, which includes our Executive VP Exploration, VP Operations, VP Geosciences and VP Business Development and Engineering, have joined in the March through July timeframe. Starting from about a year ago we now have a complete management team as well as support staff in place.

**CEOFO:** What is the financial picture like for the company today?

**Mr. Smith:** Gallic was able to raise \$23 million in April. As of the first of December, \$19 million of that was still in the bank and that is sufficient to do seven tests on two re-entry wells in the Ger Permit of France in the Janu-

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**- William H. (Bill) Smith**

ary through April timeframe of next year.

**CEOFO:** Do you do much investor outreach?

**Mr. Smith:** A large part of my job is investor relations. So yes, I have spent a lot of time in Toronto, New York, Boston, London, and Calgary, giving the Gallic story to investors.

**CEOFO:** Are people starting to pay attention to the Gallic Energy story?

**Mr. Smith:** Yes, they are, but it is a difficult headwind. With the current market conditions, people are being cautious. However, I would like to think that in January, when people have the holidays behind them and we have a rig moving onto the wells that they will realize that this is both an exciting story and a story that will

turn words into actions, molecules, and dollars, in very short order.

**CEOFO:** Why should potential investors pick Gallic Energy out of the crowd?

**Mr. Smith:** Because we have a very high potential, low-risk, inexpensive exploration program over the next four to five months on re-entry of two wells. First of all, it is high potential. We have a third party of engineering report authored by GLJ Petroleum Consultants in Calgary, where they look at the potential resource of the two wells that we will re-enter and see 700 BCF, plus 2 million barrels of liquids potential. Those wells have targets, one down to 3,000 meters, another down to 5,000 meters, and we can re-enter those wells much less expensively than drilling to those

depths. Therefore, we are spending less dollars to look at those resource potentials. The last factor is the low risk, because we have the seismic that shows the size of structure, we have the well logs that tell us the thickness of the reservoir, the porosity of the reservoir, the water saturation within that reservoir and therefore the gas saturation. We have the information from gas

shows while drilling, so there is a lot more data available than there is in raw exploration. So the only factor that we are really lacking is the commercial flow rates within those zones.

**CEOFO:** Final thoughts, what should people remember most about Gallic Energy?

**Mr. Smith:** We have a very experienced and capable team looking at the short-term exploration program and much longer-term growth. This growth will be from the second permit in France, that we have not talked about, the Ledoux Permit, where we are just now mapping large structures. There are also new ventures applications we talked about in various countries. Therefore, the company has both the short term tremendous growth potential as well as longer term growth mechanisms.