

## 6550 ft Wilcox Formation Oil Test May Spell Success for KFG Resources

By Leia Michele Toovey

KFG Resources (TSX.V: KFG) announced on Oct 26th that its subsidiary KFG Petroleum will participate in the drilling of 6,550 ft oil test in the Wilcox Formation in Adams County, Mississippi. If this well is successful, the company will retain a 15.375% working interest and an 11.5% net revenue interest in the well and surrounding acreage.

The Wilcox Formation is a known reservoir rock throughout much of the Gulf Coastal Plain, extending parallel to the coastline into southern Texas. The Formation is comprised of sandstone, which was deposited in the ancestral Gulf of Mexico during the Eocene when the shoreline was much further inland.

KFG has remapped all nine zones of the Fayette field. Remapping work revealed several zones with development potential in the shallow Wilcox gas formations. This survey also brought to attention the fact that the west side of the salt dome is virtually untouched.

In 2006, KFG Resources increased its interest in the Fayette field to 49.2%, (42% net) in three leases covering 3,200 acres of the field.

The Fayette field is located on a salt dome. Simply put, a salt dome oil reserve is formed when a cylindrical shape of salt intrudes through the lithosphere distorting and buckling the earth's crust in its path.

KFG CEO Bob Kadane likened salt dome formations to throwing a rock onto a pane of safety glass, such as a windshield. Concentric rings form around the point of impact. This is exactly the stress response from an intruding salt dome. Concentric rings form as layers of rock buckle and bend due to the forces caused by the up-thrusting salt. When permeable rock becomes capped by impermeable rock, an ideal oil and gas reservoir is formed. And due to the symmetrical nature of the feature, if one side of the dome contains oil, there is a high probability of striking oil on the other side.

"The Fayette field has produced 7 million barrels of oil to date, primarily from the east side," according to Kadane. "The remaining potential of the field is huge."

With sub-surface mapping information in hand, KFG resources entered into an agreement with Union Securities LTD of Toronto, Ontario, to act as an agent for a private placement. The initial announcement of an offering was on March 26, 2007. Shortly after the announcement, Kadane decided to delay the offering based on unfavorable market conditions.

Union Securities went forward in September with an offer to sell 20 million units at \$0.10 per offering. On October 12, with the completion of the first tranche, 18,055,000 units were sold. On October 22, the second tranche was completed. KFG had achieved its goal of raising CDN\$2.5 million.

The capital raised was for the company to have a 3-D seismic survey completed in the Fayette field. This survey was started at the end of October 2007, and will be completed in February 2008. The results of the survey will determine the ideal location for drilling the oil test. The secondary goal of the survey is to determine which wells in the Lower Tuscaloosa would benefit from CO2 injection secondary reclamation.

The Lower Tuscaloosa has produced 2,200,000 barrels of oil. Production history indicates that CO2 injection will recover 80% of primary production volume. Injection, therefore, should recover an additional 1,700,000 barrels of oil; this is in addition to new production that will come from the west flank.

In 2007, KFG Resources' annual revenue from the sale of oil and gas was \$550,328, compared to \$760,229 in 2006. The slow down is due to a decrease in the average price of natural gas and oil, as well as the decline in oil production.

At the end of the 2007 fiscal year, the company's primary producing wells were located on: the Dale Lease, Concordia; Parish, Louisiana; the Board of Education Wells, Franklin Country Mississippi; and the Weyerhauser Wells, Forrest County, Mississippi. The five wells in these regions comprised the bulk of the company's proven oil reserves. In addition, the company had three wells in the Fayette Field, Jefferson County, Mississippi.

Kadane and his team have been steadily working toward improving their odds. With an eye toward growth and increased shareholder value, the company is poised for success. The company has acquired a major interest in an untapped resource that appears to have excellent potential. The reclamation project in an area of proven production has a high likelihood of near term payoff, too. The recent attraction of CDN \$2.5 million in a private

placement will power the team at least to the completion of a thorough technical survey. Add to this oil prices at record highs and KFG Resources is certainly one to watch this month.

This article is intended for information purposes only, and is not a recommendation to buy or sell the equities of any company mentioned herein. It is based on sources believed to be reliable, but no warranty as to accuracy is expressed or implied. The opinions expressed in the article are those of the author except where statements are attributed to individuals other than the author, in which case the opinions are those of the individual to whom they are attributed.

### About the Author

ResourceX Investor is an internationally distributed newsletter about emerging junior resource companies. Sign up for a free 1-month trial to our newsletter and get instant access to news and investing tips that have helped many of our readers make more money. <http://www.resourceX.com>

Source: <http://www.tntarticles.com>