



INDUSTRIJA NAFTE, d.d.

Exploration & Production Division
Oil & Gas Production Sector
Production Engineering Department

-to whom it may concern-

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Naš znak - Re:

Datum - Date: 27.07.2006.

Dear Sirs,

In August 2004., INA Oil Company started pilot project on three wells to investigate effectiveness of "GasGun™" progressive burning propellant tool for oil and gas well stimulation.

GasGun™ was applied at three wells during few months, with first well stimulated in August 2004. At all three wells pressure build up test was performed before and after stimulation, as well as logging (CBL and casing integrity by micro calliper) to investigate possible casing and/or cement bond damage after high pressure gas stimulation by "GasGun™".

From three aforementioned wells, two were oil producers; one was with high water saturation but deliberately stimulated as first one in pilot project to investigate effects on casing and cement bond as well as level of decrease of skin factor after stimulation.

All three wells produce from sandstones, with productive zone depths of 900 m, 1600 m and 1850 m; also all three wells had high near well bore damage factor (skin).

Results: after stimulation by "GasGun™" on all three wells were measured several fold increase of fluid production, there were not evidence of cement bond damage nor casing damage.

After interpretation and comparison of pressure build up tests before and after treatment, several fold reduction of skin factor is calculated.

From three wells, one well was shut –in after several months, production level of other two was measured long term, to see if and when fractures created by "GasGun™" will close. After almost two years after treatment, not significant level of fracture conductivity were noticed, and wells still produce few fold above initial level.

Based on experience of pilot project, INA decided to apply "GasGun™" technology on larger scale.

Production engineering department
Director

Darko Brkljačić, Petroleum Eng.

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2484008-1100619483
2360000-1101303595
2330003-1100204546
2407000-1100152149

Trgovački sud u Zagrebu
Commercial Court in Zagreb
MBS: 08000604
Uplaćen temeljni kapital – Paid capital stock
9.000.000.000 kn - HRK
Broj izdanih dionica / Nominalna vrijednost
No. of issued shares / Nominal value
10.000.000 / 900,00 kn - HRK
Matični broj – Reg. No. 3586243

Predsjednik i članovi Uprave / President and members of the Management Board:
Tomislav Dragičević, László Geszti, Mirko Zelić, Tomislav Thür, Josip Petrović, Niko Paulinović, Zalán Bács
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