### November 2013 Projects and Operations Update 17 December 2013

### Highlights:

- Further expansion of Bauer production facilities underway aimed at expanding processing and handling capacity to 50,000bbls/d total fluid production
- Multi-well wet gas exploration drilling program planned for remainder of FY 2014

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### Oil Business

# Western Flank Oil Fairway PEL 91 (DLS 60% - Non-operated)

### Exploration acreage activities

New oil fairway acreage retention terms offered by SA Government – As part of a new oil fairway acreage retention program initiated by the South Australian Government, the PEL 91 JV has been offered coverage of a significant portion of the PEL 91 permit area. Under the indicative retention terms, 30% of the permit area would be covered by these new retention arrangements. The PEL 91 JV is currently evaluating this proposal in light of future seismic acquisition and exploration drilling programs. This retention program also positively affects Drillsearch's other South Australian oil permits, including PELs 182, 101, 103, 103A and PRLs 14, 17 and 18.

#### Exploration drilling activities

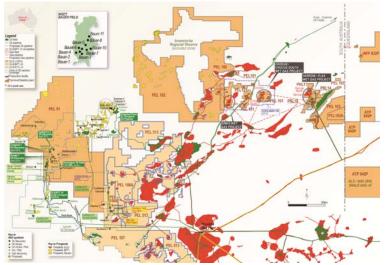
High impact drilling program planned - The drilling program in PEL 91 for CY 2013 is now complete with the rig due back in the permit in early 2014. The remainder of the FY 2014 drilling program comprises 4 exploration wells, 3 appraisal wells and 2 development wells and is expected to recommence in February 2014. The PEL 91 JV is continuing to high-grade exploration and development prospects. Once the drilling program schedule is finalised the Company will provide a further announcement detailing the drilling schedule and pre-drill reserve and resource estimates.

### Discovery, appraisal and field development activities

Expansion of Bauer production facilities underway - Work continues on the upgrade and expansion of the Bauer Central Production Facility in PEL 91. These works will expand the Bauer processing and handling capacity to 50,000 barrels per day of total fluid production and are expected to be completed by the end of March 2014.

# Seismic acquisition, processing and interpretation activities

3D seismic projects adding to already significant exploration pipeline - Processing of the Irus 280km² 3D seismic survey has been completed with final volume delivery expected in December. The Caseolus 509km² 3D seismic survey is still undergoing processing with the final volume expected to be delivered in December 2013.



Western Flank Oil Fairway

### Western Flank Oil Fairway PEL 182 (DLS 43% - Nonoperated)

### Exploration acreage activities

Further expansion of exploration interests in Western Flank Oil Fairway - During November Drillsearch completed the acquisition of an additional 3% working interest in PEL 182 from Australian Oil Company, increasing our ownership to 43%. Final completion of this additional 3% is subject to stamping and transfer by the relevant South Australian departments.

### Exploration drilling activities

Drilling program planned for 2014 - Based on historical 2D seismic data, Senex, as the Operator of the PEL 182 JV has presented an initial lead and prospect seriatim identifying a number of oil and wet gas leads within the Dundinna 200km² 3D seismic area. Based on initial JV discussions, it is anticipated that following completion of 3D seismic processing and interpretation, expected by June 2014, that 2 to 4 exploration wells will be drilled in the Dundinna 3D seismic survey area by the end of CY 2014.

### PEL 103 Oil Project (DLS 70-100% - Operated)

### Exploration acreage activities

<u>Farmout discussions proceeding</u> – Drillsearch is in discussion with a number of parties concerning farming into the PEL 103 exploration permit area, focusing on the



shallow oil potential both in Banyan Oil Prospect Satellite Permit Area (see Exploration Drilling activities discussion below) as well as the large area of PEL 103 covering the Innamincka Dome.

### Exploration drilling activities

Potential oil prospect identified at Banyan - The Company has identified on existing 3D seismic a shallow oil prospect, Banyan, in the northern most portion of PEL 103. Over the last several months an extensive seismic reprocessing and interpretation project covering the Banyan Prospect has been completed to fully evaluate its potential. The Company currently estimates that the Banyan Oil Prospect has an unrisked Prospective Resource potential of between 0.2 mmbbls\* (Low estimate P90), 0.7 mmbbls\* (Best estimate P50) and 2.2 mmbbls\* (High estimate P10). This prospect sits immediately adjacent to a number of previous oil discoveries at the Acrasia and Reg Sprigg Oil Fields. Based on this reinterpretation work the Company believes that the Sprigg South-1 well, 364 metres north west of Banyan and drilled in 2003 by another operator actually may have been an oil discovery. Drillsearch intends to drill the Banyan-1 well during calendar year 2014.

# Seismic acquisition, processing and interpretation activities

3D seismic to pursue oil fairway on Innamincka Dome – The Company has completed the reprocessing and interpretation of existing 3D seismic, covering the northern PEL 103 permit area and has high-graded the Banyan Oil Prospect. The Company has also begun a technical scoping review of the shallow oil prospectivity of the PEL 103 permit area covering the Innamincka Dome. Initial review suggests that an oil discovery may have been by-passed in the Aspen-1 exploration well within the permit. The Company is currently assessing 3D seismic acquisition options over a large portion of PEL 103.

### Inland-Cook Oil Fairway (DLS 100% - Operated)

#### Exploration acreage activities

Farmout to Santos and other farmout programs continuing – The 33.33% farmout of ATP 549P to Santos is subject to a number of conditions which Drillsearch and Santos are currently working to satisfy before commencing exploration drilling activities within the Kaden 600km² 3D seismic survey area. Drillsearch currently holds a 100% working interest in several newly awarded exploration permits in the Inland-Cook Oil Fairway and is in active discussions with a number of parties interested in farming into these permit areas with a particular focus on the ATP 920 and 924 permit areas.

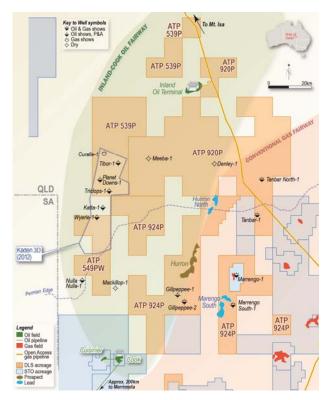
### Seismic acquisition, processing and interpretation activities

<u>3D Seismic planned covering high-impact oil and gas prospect fairway</u> – The Company has completed reprocessing and initial interpretation of 165 line kms of vintage 2D seismic covering a significant portion of ATP

924. This seismic covers a prospective oil and gas fairway identified by Santos in the mid-1990s, the Greater Hurron Prospect. Based on this reprocessing and reinterpretation Drillsearch has confirmed that the Hurron Prospect contains a series of structurally robust, potentially high-impact oil and gas leads along a Fairway. The Company believes in this Fairway's potential as a series of older exploration wells in the vicinity encountered non-commercial hydrocarbons. These older wells were drilled on 2D seismic and Drillsearch considers they may not have tested valid structures.

In the Greater Hurron Oil Prospect Fairway, the Company has mapped the very significant Hurron oil prospect. Drillsearch currently estimates that the Hurron prospect has an unrisked prospective resource potential of between 6.4 mmbbls\* (Low estimate P90) and 48.1 mmbbls\* (High estimate P10) with a best estimate (P50) of 18.7 mmbbls\*. In addition the Company has also identified a number of robust deeper wet gas prospects also within the Greater Hurron Oil Prospect Fairway.

Drillsearch is conducting a tender process for the proposed 3D seismic survey program with a view of awarding the contract for this program in the March quarter 2014 and commencing this seismic program in the June quarter 2014. It is intended that this 3D seismic survey will de-risk and high-grade the multiple prospects the Company has already identified on vintage 2D seismic within the Greater Hurron Prospect Fairway.



**Inland-Cook Oil Fairway** 

### Wet Gas Business

### Western Wet Gas Project Area (DLS 40-50% - Nonoperated)

### Exploration acreage activities

Establishing new permit interests – As part of the newly created Wet Gas JV with Santos, Drillsearch is proceeding with establishing a formal split of the PEL 106A and 106B permit areas into two totally separate new permit areas to be issued by the South Australian Government.

### Exploration drilling activities

Multi-well exploration drilling program planned for remainder of FY 2014 - The Western Wet Gas team has been actively working with Santos as the Operators of the PEL 106A JV and Beach as the Operator of the PEL 106B JV in preparation of planned exploration drilling programs. Santos is proposing drilling 3-4 exploration wells during 2014. Beach is currently planning to drill 3 near-field exploration and appraisal wells in PEL 106B by the end of June 2014 with a view of increasing the overall Reserves within the JV area to support further expansion of the Middleton Gas Project.

To assist both Operators with developing these programs and preparing these exploration prospects and locations. Drillsearch has presented its stratigraphic and structural interpretation post the drilling of the 3 wells in the 2013 PEL 106A campaign. In addition to recently reprocessed Spinel 3D the Company is also looking to further upgrade its interpretation of prospects in both these permit areas with the integration of the newly acquired high-resolution Munathiri 3D seismic survey. The Company anticipates receiving the intermediate processed Munathiri 3D seismic during December.

### Discovery appraisal and field development activities

Focus on expanding Middleton Gas Project - The PEL 106B JV is currently focused on executing a number of projects to expand the production capability of the Middleton Gas Project. These activities are focused on three primary initiatives;

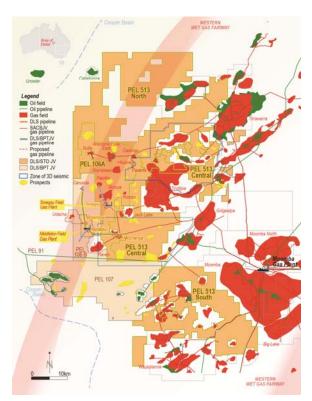
- 1. Completion, stimulation and extended production testing of the Udacha Gas Discovery located 6km north west of the Middleton Gas Plant.
- 2. Production testing of the Coolawang Wet Gas Discovery which is located adjacent to the Canunda Wet Gas Field; and

Planning for each of the projects is currently underway with completion expected by the end of FY 2014. If Coolawang is successful it will result in the connection of this wet gas field to the Canunda-to-Middleton Wet Gas Pipeline.

PEL 106A - Reinstating wet gas production and new field developments - Within the PEL 106A JV area, Santos as the new Operator of the permit has already commenced field appraisal and development activities. The first of these activities undertaken in the month has been the recommissioning of the Smegsy wet gas gathering pipeline. In connection with this, Santos began workovers of the Smegsy-1 wet gas production well. In addition, the Company expects to receive from Santos in early December the first detailed work program for appraisal and development activities covering the existing wet gas discoveries located in PEL 106A as well as Santos's proposed further exploration program in PEL 106A and PEL 513.

### Seismic acquisition, processing and interpretation activities

Seismic processing continues in advance of PEL 513 exploration campaign - Reinterpretation of seismic data from PEL 106A and PEL 106B is underway and incorporates the reprocessed Spinel 3D data and new well data from the three-well exploration campaign completed in July 2013. Processing of the PEL 513 Munathiri 3D seismic survey continues and is expected to be completed by December 2013.

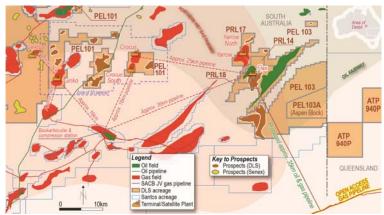


Western Wet Gas Project Areas including PEL's 106A, 106B, 107 and 513

### Northern Wet Gas Project Area (DLS 75-100% -Operated)

#### Exploration drilling activities

Large wet gas exploration leads maturing to drill ready prospects - The Company has made substantial progress in maturing a significant number of prospects on the recently acquired and processed, high resolution Coolibah 3D seismic survey, identifying a number of robust drilling candidates for the next financial year.



**Northern Wet Gas Project Areas** 

#### Discovery appraisal and field development activities

YFJ wet gas and liquids project preliminary field development activities commence – The Company has made substantial progress towards the commencement of preliminary field development work for the combined Yarrow-Flax-Juniper (YFJ) Wet Gas and Liquids Development Project. Planning for workovers on the Flax Field are well advanced and are expected to start in February/March 2014, in addition a workover is also planned on Yarrow-1. The intention is to pull the completion string, stimulate and perform an extended production test on the Tirrawarra Sandstone Formation. RISC will deliver a Field Development Plan for the YFJ Wet Gas and Liquids pilot production project in December.

Over the last month works have been undertaken towards securing fit-for-purpose certification for the Flax production plant. Once workovers on the Flax Field are complete and testing has been performed it is expected that Flax will be brought back online as an oil producing facility.

In addition, the Company is investigating the building of a wet gas export pipeline from the production facility to the Santos-operated Bookabourdie Gas Gathering and Compression Facility. To this end Drillsearch has applied to the South Australian Government for a survey license to identify and ultimately environmentally and culturally clear a preferred pipeline route from the YFJ area to this interconnection point into the Santos-operated gas gathering pipeline system.

Ginko-Crocus Wet Gas Project – During the month of November Drillsearch completed preparations for conducting a well integrity inspection and maintenance program for the cased and suspended Ginko-1, Crocus South-1 and Crocus-1 exploration wells. This program is expected to commence in December.

### **Unconventional Business**

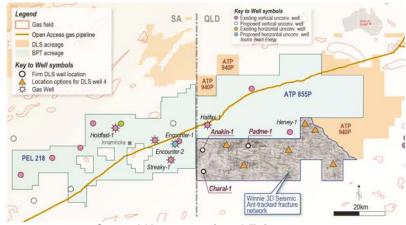
Central Unconventional Fairway (DLS 40% - Operated) – ATP 940P

### Exploration drilling activities

<u>Unconventional drilling program advances</u> - The Weatherford drilling rig 826 has cased and suspended the 12¼" top-hole sections of the first two wells - Anakin-1 and Padme-1. The rig has spud the top-hole section of the third well, Charal-1 on 4 December 2013. Upon upgrading the rig with specialist high-temperature high-pressure equipment during December and January the top-hole sections will be deepened through the reservoir formations in 2014. These wells are part of an initial four well unconventional gas exploration campaign.

### Seismic acquisition, processing and interpretation activities

Winnie 3D seismic optimizing drilling locations, identifies fracture systems - Interpretation of the Winnie 3D seismic survey continued throughout the month. Through the high-spec Winnie 3D seismic, Drillsearch has identified features on the Winnie 3D that are interpreted to indicate faulting and fracture network systems throughout the unconventional target pay zones. Once calibrated with well data, the Company believes that using the high specification 3D to identify these faulting and fracture systems will ultimately help its understanding of how to optimally place, drill, complete and stimulate wells. The final processing of the 3D is ongoing with an expected completion date in December 2013.



Central Unconventional Fairway

### **Monthly Drilling Summary**

Well	Participants		Progress & Summary		Primary Target
Padme - 1	DLS*	40%	Spud Date	Friday, 25 October 2013	Roseneath / Murteree Shale
ATP 940P	QGC	60%	Intermediate Release:	Friday, 22 November 2013	
Unconventional Business			Intermediate Depth:	2, 402 m	
Central Unconventional			Operation:	Suspended Operations	
C/E Basin, QLD			Progress:	2, 402 m	
Charal - 1	DLS*	40%	Spud Date	Wednesday, 4 December 2013	Roseneath / Murteree Shale
ATP 940P	QGC	60%	Intermediate Release:	Monday, 23 December 2013 (Projected)	
Unconventional Business			Intermediate Depth:	2, 400 m (Projected)	
Central Unconventional			Operation:	Suspended Operations	
C/E Basin, QLD			Progress:	21 m	

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**About Drillsearch Energy Limited (ASX: DLS),** which listed on ASX in 1987, explores and develops conventional and unconventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's most prolific onshore oil and gas province, the Cooper-Eromanga Basins in South Australia and Queensland. The Company's focus is on 'brownfields' exploration where geological risk is reduced and there is access to existing infrastructure, ensuring that any discoveries can be brought into production.

#### **Competent Person Statement**

Any reference to Reserves and Resources in this release follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE - PRMS). The Reserves estimates used in this report were compiled by Mr David Evans, Chief Technical Officer of Drillsearch Energy Limited, who is a qualified person as defined under ASX Listing Rule 5.11 and has consented to the use of the Reserves figures in the form and context in which they appear in this presentation.

<sup>\*</sup> Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.