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# 2015 Reserves and Resources Statement

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23 February 2016

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## Highlights

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- Oil Search achieved record oil and gas production in 2015. As a result, proved and probable (2P) oil and condensate reserves declined by 9% to 87.2 million barrels (mmbbl) and 2P gas reserves fell 5% to 2,177.9 billion cubic feet (bcf), with no other material changes in reserves.
- Technical studies at P'nyang in PRL 3 led to an increase in the estimate of gross 2C contingent resources, to 3,500 bcf of dry gas and 52.5 mmbbl of condensate. This resulted in the addition of 326 bcf of gas and 10.6 mmbbl of condensate to Oil Search's net 2C contingent resources.
- Analysis of appraisal data from Taza in Kurdistan resulted in a downward revision to net 2C contingent resources, of 31.2 mmbbl of oil and 128.6 bcf of gas, while re-mapping of the Cobra field in PRL 14 led to a 128.1 bcf reduction in 2C contingent gas resources.
- Based on 2015 production of 29.3 mmboe, Oil Search has a 1P reserves life of 11.6 years and a 2P reserves life of 17.5 years. The Company also has 57.1 mmbbl of oil and condensate and 3,610.0 bcf of gas in the 2C resource category, of which a large proportion has a high probability of development.

## Oil and gas reserves

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At 31 December 2015, the Company's proved reserves (1P) were 57.5 mmbbl of oil and condensate and 1,441.8 bcf of gas. 2P reserves were 87.2 mmbbl of oil and condensate and 2,177.9 bcf of gas.

The key changes in 1P and 2P reserves since 31 December 2014, which are summarised in Tables 1 and 2, are as follows:

- Reserves at 31 December 2015 have been adjusted for record net production in 2015 of 8.8 mmbbl of oil and condensate and 99.4 bcf of gas<sup>1</sup>.
- There have been no changes to the Estimated Ultimate Recoveries (EUR) of the Moran and Kutubu complex oil fields or the PNG LNG Project fields and remaining reserves for both 1P and 2P categories reflect the year-end 2014 position less 2015 production volumes.

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<sup>1</sup> Note that these production figures are based on Oil Search's net 16.67% share of PDL 1 Hides GTE production.

- An independent audit of the Gobe Main and SE Gobe fields by Netherland, Sewell & Associates, Inc. (NSAI) has resulted in minor changes to the EUR for oil and SE Gobe gas.

Developed and undeveloped reserves are shown in Table 3. Undeveloped oil and gas reserves are largely related to the PNG LNG Project, where the construction of additional infrastructure is required prior to the commencement of gas export, consistent with the approved development plan. Some undeveloped reserves at Moran and Agogo have been moved to the developed category following successful development drilling and workover operations during the year.

The 2015 reserves statement used the same methodology as the Company's impairment analysis, including assessments at a range of short, medium and long term oil prices.

## Contingent resources

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At the end of 2015, the Company's 2C contingent resources comprised 3,610.0 bcf of gas, up from 3,529.5 bcf at the end of 2014, and 57.1 mmbbl of oil and condensate, down from 77.7 mmbbl.

The key changes in 2C contingent resources since 31 December 2014, which are summarised in Tables 1 and 2, are as follows:

- The addition of 326 bcf of gas and 10.6 mmbbl of condensate at PRL 3, reflecting a revised technical assessment of the P'nyang field, using updated structural mapping and core analysis data. The reported volumes reflect gross 2C resources of 3.5 tcf of gas and 52.5 mmbbl of condensate.
- A reduction of 31.2 mmbbl of oil and 128.6 bcf of gas (on a net entitlement basis) at Taza in Kurdistan. This follows a re-appraisal of the Taza field, involving the interpretation of 3D seismic and analysis of data from drilling and testing the Taza 2 and Taza 3 appraisal wells. The data has been used to determine probabilistic in-place volume estimates from geological modelling, combined with recovery factor estimates from deterministic simulation modelling. The revised modelling corresponds to gross 2C field resources of 56.4 mmbbl of oil and 17.4 bcf of gas.
- A reduction of 128.1 bcf of gas at Cobra (PRL 14), reflecting revised mapping of the Cobra structure.

## Reserves and resources

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As highlighted in Table 4, at the end of 2015, Oil Search's total 2P oil and condensate reserves and 2C contingent resources were 144.3 mmbbl and the Company's total 2P gas reserves and 2C contingent resources were 5,787.9 bcf.

### P'nyang, PRL 3 – increase in booked 2C contingent resource

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Oil Search has a 38.5% economic interest in Petroleum Retention Licence 3 (PRL 3) in the Western Province of PNG, which contains the P'nyang gas field. A retention licence was granted on 12 April 2000 for an initial five-year term, with subsequent licence extensions granted for five years each on 12 April 2005 and 12 April 2010. In February 2015, a Petroleum Development Licence application was submitted to the PNG Government.

The presence of significant quantities of moveable hydrocarbons in the P'nyang field has been confirmed by the following:

- Data acquired from three exploration/appraisal wells, commencing in 1990 with the P'nyang 1X discovery well.
- The interpretation of data acquired during well logging and drill stem testing of reservoir intervals, including the analysis of hydrocarbon samples recovered to surface.
- The interpretation of seismic data acquired during 2011 and 2013 and core data acquired from the P'nyang South 1 well drilled in 2012.

More recently, the outcome of further structural mapping and special core analysis conducted in 2015 has been positive, resulting in increases of 326 bcf of dry gas and 10.6 mmbbl of condensate in the 2C contingent resource category. The net 2C resource is now estimated at 1,348 bcf of dry gas and 20.2 mmbbl of condensate, reflecting gross 2C resources of 3,500 bcf of dry gas and 52.5 mmbbl of condensate.

Contingent resource volumes were assessed by combining in-place volume estimates from geological modelling with recovery factor estimates from simulation modelling using a deterministic method. They are based on separator conditions in the field, prior to downstream losses, until downstream processing conditions are better defined. The field is still subject to further drilling (commencing with the P'nyang South 2 well currently scheduled for the second half of 2016) and technical studies, which may further alter the 2C contingent resource estimate.

The P'nyang resources are considered to be contingent on additional drilling, further technical studies, the confirmation of a commercially viable development project and the negotiation of, and commitment to, future LNG contracts.

### **Elk-Antelope, PRL 15 – potential for increase in booked 2C contingent resource**

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1,219.4 bcf raw gas has currently been booked in the 2C contingent resource category relating to Oil Search's 22.835% economic interest in Petroleum Retention Licence 15 (PRL 15) in the Gulf Province of PNG, which contains the Elk-Antelope gas field.

A licence was granted on 30 November 2010 for a five-year term. In May 2015, an application for a further five-year term was submitted to the PNG Government.

The presence of significant quantities of moveable hydrocarbons in the Elk-Antelope field has been confirmed by the following:

- Data acquired from eight Elk-Antelope exploration and appraisal wells, commencing in 2006 with the Elk 1 discovery well.
- The interpretation of data acquired during the drill stem testing of multiple intervals, including the analysis of reservoir hydrocarbon samples recovered to surface.

Preliminary interpretation of recently acquired appraisal data, including the Antelope 5, Antelope 4 and Antelope 4 ST1 appraisal well results and seismic reprocessing, has indicated a positive impact on resources. Subject to a successful outcome from testing of the Antelope 5 well and completion of appraisal drilling and testing of Antelope 6 and the possible drilling of Antelope 7, the 2C contingent resource could increase. Contingent resource volumes are being assessed by combining in-place volume estimates from geological modelling with recovery factor estimates from simulation modelling using a combination of deterministic and probabilistic methods.

The Elk-Antelope resources are considered to be contingent on a number of factors including additional appraisal drilling and technical studies, the confirmation of a commercially viable development project, acceptable project financing and the negotiation of, and commitment to, future LNG contracts.

## **Governance and 2016 Audit Plan**

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The governance arrangements for the reporting of hydrocarbon reserves and resources are based on Oil Search's Reserves Management and Audit Process (RMAP), which consists of the following:

- A Technical Reserves Committee (TRC) which assesses all proposed changes and additions to the Company's reserves and resources database, utilising advice and contributions from peer review and subject matter experts, where appropriate.
- The TRC reports to the Reserves Operating Committee (ROC), consisting of senior management from technical and commercial disciplines, for the sanction of changes proposed by the TRC.
- Final statements are subject to review and endorsement by the Audit and Financial Risk Committee prior to approval by the Board.

### **Oil Fields**

Under the Company's RMAP arrangements, oil fields are subject to independent audit every three years or more frequently under some circumstances (for example, if a material change is indicated). The Kutubu and Moran fields were audited at the end of 2014 and the Gobe Main and SE Gobe fields were audited at the end of 2015 by independent auditors, NSAI.

### **PNG LNG**

Gas reserves are subject to audit under instruction from the PNG LNG Project operator, ExxonMobil PNG Limited. Given the substantial amount of new information now available following the cessation of development drilling at Hides and Angore, together with more than 18 months of gas production at Hides and the Associated Gas (AG) fields, ExxonMobil has elected to recertify all Project gas reserves in 2016, using NSAI as the independent auditor. Oil Search will play a leading part in the recertification of the Associated Gas (AG) field reserves during this exercise.

### **PRL 3**

Gas resources at P'nyang (PRL 3) are likely to be recertified in 2017, based on advice from the operator, ExxonMobil PNG Limited.

### **PRL 15**

Under the Sale and Purchase Agreement with the sellers of the PAC LNG group of Companies, the Elk and Antelope fields within PRL 15 are subject to two independent certifications.

The First Certification is planned to commence in March 2016, with completion expected in mid-2016. The Second Certification will occur one year after delivery of the first commercial LNG cargo.

**TABLE 1: 2015 oil and condensate reserves and resources reconciliation with 2014**
**Proved oil and condensate reserves (million barrels)**

Licence/Field	End 2014 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 Reserves
PDL 2 – Kutubu	19.2	3.8	-	-	15.4
PDL 2/5/6 – Moran Unit	10.2	1.6	-	-	8.6
PDL 4 – Gobe Main	0.1	0.0	0.0	-	0.1
PDL 3/4 – SE Gobe	0.2	0.1	0.2	-	0.2
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	36.5	3.3	-	-	33.2
<b>Total</b>	<b>66.0</b>	<b>8.8</b>	<b>0.2</b>	<b>-</b>	<b>57.5</b>

**Proved and Probable oil and condensate reserves (million barrels)**

Licence/Field	End 2014 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 Reserves
PDL 2 – Kutubu	23.8	3.8	-	-	20.0
PDL 2/5/6 – Moran Unit	13.8	1.6	-	-	12.2
PDL 4 – Gobe Main	0.1	0.0	0.0	-	0.1
PDL 3/4 – SE Gobe	0.5	0.1	0.0	-	0.3
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	57.8	3.3	-	-	54.5
<b>Total</b>	<b>95.9</b>	<b>8.8</b>	<b>0.0</b>	<b>-</b>	<b>87.2</b>

**2C Contingent oil and condensate resources (million barrels)**

Licence/Field	End 2014 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 2C Resources
PNG LNG Project oil and condensate	1.7	-	-	-	1.7
PNG other oil and condensate	22.9	-	10.6	-	33.6
Middle East oil and condensate	53.1	-	(31.2)	-	21.9
<b>Total</b>	<b>77.7</b>	<b>-</b>	<b>(20.6)</b>	<b>-</b>	<b>57.1</b>

**TABLE 2: 2015 gas reserves and resources reconciliation with 2014**
**Proved gas reserves (billion standard cubic feet)**

Licence/Field	End 2014 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 Reserves
PDL 2 – Kutubu	-	-	-	-	-
PDL 2/5/6 – Moran Unit	-	-	-	-	-
PDL 4 – Gobe Main	-	-	-	-	-
PDL 3/4 – SE Gobe	17.7	1.9	(2.1)	-	13.8
PDL 1 – Hides GTE	5.0	0.9	-	-	4.1
PNG LNG Project	1,520.6	96.6	-	-	1,423.9
<b>Total</b>	<b>1,543.3</b>	<b>99.4</b>	<b>(2.1)</b>	<b>-</b>	<b>1,441.8</b>

**Proved and Probable gas reserves (billion standard cubic feet)**

Licence/Field	End 2014 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 Reserves
PDL 2 – Kutubu	-	-	-	-	-
PDL 2/5/6 – Moran Unit	-	-	-	-	-
PDL 4 – Gobe Main	-	-	-	-	-
PDL 3/4 – SE Gobe	23.8	1.9	(4.7)	-	17.2
PDL 1 – Hides GTE	6.9	0.9	-	-	6.0
PNG LNG Project	2,251.4	96.6	-	-	2,154.7
<b>Total</b>	<b>2,282.0</b>	<b>99.4</b>	<b>(4.7)</b>	<b>-</b>	<b>2,177.9</b>

**2C Contingent gas resources (billion standard cubic feet)**

Licence/Field	End 2014 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2015 2C Resources
PNG LNG Project gas	208.3	-	-	-	208.3
PNG other gas	3,186.3	-	209.0	-	3,395.3
Middle East gas	134.9	-	(128.6)	-	6.3
<b>Total</b>	<b>3,529.5</b>	<b>-</b>	<b>80.4</b>	<b>-</b>	<b>3,610.0</b>

**TABLE 3: Developed and undeveloped reserves**
**Developed reserves**

(Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Developed <sup>3</sup>	Gas Developed <sup>4,5</sup>	Oil and Condensate Developed <sup>3</sup>	Gas Developed <sup>4,5</sup>
	%	mmbbl	bscf	mmbbl	bscf
<b>Reserves</b>		<b>Proved (1P)</b>		<b>Proved and Probable (2P)</b>	
PDL 2 – Kutubu	60.0%	12.6	-	17.0	-
PDL 2/5/6 – Moran Unit	49.5%	6.1	-	9.4	-
PDL 4 – Gobe	10.0%	0.1	-	0.1	-
PDL 3/4 – SE Gobe	22.3%	0.2	13.8	0.3	17.2
PDL 1 – Hides GTE	16.7%	-	4.1	-	6.0
<b>Oil Fields and Hides GTE reserves</b>		<b>19.0</b>	<b>17.9</b>	<b>26.8</b>	<b>23.2</b>
<b>PNG LNG Project reserves</b>	<b>29.0%</b>	<b>23.1</b>	<b>1,032.7</b>	<b>39.6</b>	<b>1,594.0</b>
<b>Subtotal developed reserves</b>		<b>42.1</b>	<b>1,050.6</b>	<b>66.4</b>	<b>1,617.3</b>

**Undeveloped reserves**

(Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Undeveloped <sup>3</sup>	Gas Undeveloped <sup>4,5</sup>	Oil and Condensate Undeveloped <sup>3</sup>	Gas Undeveloped <sup>4,5</sup>
	%	mmbbl	bscf	mmbbl	bscf
<b>Reserves</b>		<b>Proved (1P)</b>		<b>Proved and Probable (2P)</b>	
PDL 2 – Kutubu	60.0%	2.8	-	3.0	-
PDL 2/5/6 – Moran Unit	49.5%	2.5	-	2.9	-
PDL 4 – Gobe Main	10.0%	-	-	-	-
PDL 3/4 – SE Gobe	22.3%	-	-	-	-
PDL 1 – Hides GTE	16.7%	-	-	-	-
<b>Oil fields and Hides GTE reserves</b>		<b>5.2</b>	<b>-</b>	<b>5.9</b>	<b>-</b>
<b>PNG LNG Project reserves</b>	<b>29.0%</b>	<b>10.1</b>	<b>391.2</b>	<b>14.9</b>	<b>560.7</b>
<b>Subtotal undeveloped reserves</b>		<b>15.3</b>	<b>391.2</b>	<b>20.8</b>	<b>560.7</b>
<b>Total developed and undeveloped reserves</b>		<b>57.5</b>	<b>1,441.8</b>	<b>87.2</b>	<b>2,177.9</b>

**TABLE 4: Total reserves and resources summary**
**Reserves and resources at 31 December 2015<sup>1,2</sup>**

(Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Total <sup>3</sup>	Gas Total <sup>4</sup>	Oil and Condensate Total <sup>3</sup>	Gas Total <sup>4</sup>
	%	mmbbl	bscf	mmbbl	bscf
<b>Reserves</b>		<b>Proved (1P)</b>		<b>Proved and Probable (2P)</b>	
PDL 2 – Kutubu	60.0%	15.4	-	20.0	-
PDL 2/5/6 – Moran Unit	49.5%	8.6	-	12.2	-
PDL 4 – Gobe	10.0%	0.1	-	0.1	-
PDL 3/4 – SE Gobe <sup>5</sup>	22.3%	0.2	13.8	0.3	17.2
PDL 1 – Hides GTE <sup>6</sup>	16.7%	-	4.1	-	6.0
<b>Oil Fields and Hides GTE reserves</b>		<b>24.3</b>	<b>17.9</b>	<b>32.7</b>	<b>23.2</b>
<b>PNG LNG Project reserves<sup>5</sup></b>	<b>29.0%</b>	<b>33.2</b>	<b>1,423.9</b>	<b>54.5</b>	<b>2,154.7</b>
<b>Subtotal reserves</b>		<b>57.5</b>	<b>1,441.8</b>	<b>87.2</b>	<b>2,177.9</b>
<b>Contingent resources</b>		<b>1C</b>		<b>2C</b>	
PNG LNG Project gas and oil and condensate		-	-	1.7	208.3
PNG other gas and oil and condensate <sup>7</sup>		-	-	33.6	3,395.3
Middle East gas and oil and condensate <sup>7</sup>		-	-	21.9	6.3
<b>Subtotal resources</b>		-	-	<b>57.1</b>	<b>3,610.0</b>
<b>Total reserves and resources</b>		<b>57.5</b>	<b>1,441.8</b>	<b>144.3</b>	<b>5,787.9</b>

**NOTES**

- Numbers may not add due to rounding.
- Oil field proved (1P) and proved and probable (2P) reserves are as certified by independent auditors Netherland, Sewell & Associates, Inc. (NSAI) in 2014 and 2015. 1P PNG LNG Project reserves are as certified in 2008 by independent auditors, NSAI. 2P PNG LNG Project reserves and 2C contingent resources are based on a combination of independent audit, PNG LNG Project operator and internal assessments.
- Liquids include crude oil, separator and plant condensates.
- For the PNG LNG Project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery and fuel and flare.
- PNG LNG Project reserves comprise the Kutubu complex, Moran, Gobe Main, SE Hedinia, Hides, Angore and Juha fields. In addition, third party wet gas sales to the project at the Gobe plant outlet (inclusive of plant condensate) have been included for SE Gobe in 1P and 2P reserves at the post-sales agreement (Oil Search - 22.34%). SE Gobe estimates for gas are based on NSAI certification in 2015.
- Hides reserves associated with the GTE Project under existing contract. Production volumes shown in this reserves report are based on Oil Search's entitlement of PDL 1 (16.67%).
- Other gas, oil and condensate resources comprise the Company's other fields including SE Mananda, Juha North, P'nyang, Kimu, Uramu, Barikewa, Iehi, Cobra, Mananda, Flinders, Taza and Al Meashar-1, and may also include resources beyond the current economic limit of producing oil and gas fields. These gas resources may include fuel, flare and shrinkage depending on the choice of reference point.



#### **ADDITIONAL NOTES**

- The evaluation date for these estimates is 31 December 2015.
- The following reference points are assumed:
  - Oil field liquids: the inlet to the refinery at the CPF
  - Hides GTE: the custody transfer point at the wellhead
  - PNG LNG Project: the outlet to the LNG plant
  - SE Gobe gas: the outlet to the Gobe facility
  - Fuel, flare and shrinkage upstream of the reference points have been excluded
- Reserves and contingent resources are aggregated by arithmetic summation by category and therefore proved reserves may be a conservative estimate due to the portfolio effects of arithmetic summation.
- Reserves and contingent resources have been estimated using both deterministic and probabilistic methods.
- The information in this reserves and resources statement has been prepared by Dr Jon Rowse, Oil Search's General Manager – Subsurface, who is a full-time employee of the Company and a member of the Society of Petroleum Engineers. Dr Rowse is qualified in accordance with ASX Listing Rules 5.41-5.44, and confirms that the statement fairly represents information and documentation which has been prepared under his supervision and approved by him. He has consented to publish this information in the form and context in which it is presented in this statement.