

# ASX Announcement

## GCA and NSAI certification of Elk-Antelope fields completed

15 July 2016

- In accordance with the Sale and Purchase Agreement between Oil Search and the sellers of the PAC LNG Group of Companies (PAC sellers), an independent certification has been completed by two world-class certifiers on the Elk-Antelope fields, located in PRL 15.
- The average 1C (proven contingent) and 2C (proven and probable contingent) resource of the two certifiers is 5.17 tcf and 6.43 tcf of raw gas respectively.
- As the average certified 2C resource is less than 7.0 tcf, Oil Search is not required to make an additional payment to the PAC sellers.
- Together with resources in the P'nyang field in PRL 3, this certification confirms that there is approximately 6 tcf of 1C and 10 tcf of 2C resource within these two licences, which can underpin at least two further LNG trains in PNG.
- The Antelope 7 well, which is expected to spud in the third quarter of 2016, will test 1-2 tcf of upside in the Elk-Antelope fields.

Oil Search advises that Gaffney Cline & Associates (GCA) and Netherland, Sewell & Associates, Inc. (NSAI) have concluded their independent certification of the Elk-Antelope fields, located in PRL 15 (Oil Search – 22.8%) in Papua New Guinea (PNG). The certification process commenced on 13 March 2016, in line with the agreement between Oil Search and PAC sellers relating to the Company's acquisition of its interest in PRL 15 in early 2014.

GCA and NSAI have utilised a full set of available data, up to, and including, the results from the Antelope 5 long term test and the Antelope 6 appraisal well. The average 2C resource is 6.43 tcf of raw gas. Each certifier's "most likely" (2C) number is within a 12% range, demonstrating increased certainty about the resource size. The estimated 2C volume is largely consistent with the 6.5 tcf of raw gas calculated by Oil Search as part of its recent assessment of the fields.

Gross field		Recoverable Raw Gas (tcf) <sup>1</sup>		
		Low (1C)	Most Likely (2C)	High (3C)
GCA	2011	4.3	6.6	10.3
	2013	4.9	7.0	9.7
	<b>2016</b>	<b>5.53</b>	<b>6.80</b>	<b>7.57</b>
NSAI	<b>2016</b>	<b>4.80</b>	<b>6.06</b>	<b>8.11</b>
<b>Average</b>	<b>2016</b>	<b>5.17</b>	<b>6.43</b>	<b>7.84</b>

1. Recoverable raw gas resource on a 100% basis before shrinkage for condensate, non-hydrocarbon compounds and field and plant fuel and flare

In accordance with the terms of the Oil Search - PAC sellers Sale and Purchase Agreement, as the certified volume of 2C raw gas is less than 7.0 tcf, Oil Search is not required to make a payment to the PAC sellers.

Oil Search invited the PAC sellers to agree to delay the certification to include the results of the Antelope 7 appraisal well, scheduled to commence drilling in the third quarter of 2016. However, not all of the PAC sellers would agree, so the certification proceeded without that additional data, as required by the PAC sellers Sale and Purchase Agreement.

### **Implications for Oil Search**

The certification indicates that the Elk-Antelope fields in PRL 15 (Oil Search – 22.8%) and P'nyang in PRL 3 (Oil Search – 38.5%) contain approximately 10 tcf of 2C gas resource, sufficient to underpin at least two additional LNG trains in PNG. Importantly, the high level of 1C resource, of approximately 6 tcf, should facilitate project financing and LNG marketing.

The Antelope 7 well will test the volume upside in the poorly-imaged western flank of the field, with potential for 1–2 tcf of additional recoverable gas.

The independent confirmation of the resource range within PRL 15 provides a catalyst for cooperation and/or integration with the PNG LNG Project. Oil Search believes that an optimal development has the potential for at least US\$2-3 billion of capital cost savings and approximately US\$100 million per annum of operating cost savings, plus schedule acceleration that would benefit all stakeholders.

### **Implications for the InterOil transaction and the Contingent Value Right (CVR)**

It is important to highlight that the PAC sellers' certification process is different from the certification process proposed for the CVR in several key ways. Specifically:

- The CVR resource will be defined on the basis of data that includes the Antelope 7 well.
- Two certifiers will be selected from BeicepTecSol, Miller & Lents and Ryder Scott (GCA and NSAI have been specifically excluded, given their involvement in the Oil Search - PAC sellers certification process).
- The resource definition will be based on hydrocarbon gas (excluding inerts) and condensate (the Oil Search-PAC sellers' process was based on raw gas, which includes inerts and condensate).

It should be noted that the range of certified proven, probable and possible (3C) resource is between 7.57 and 8.11 tcf.

The results from the PAC sellers' certification process demonstrate the potential value for InterOil shareholders that could be realised from the CVR, given that InterOil shareholders will receive US\$6.044 per share for each tcf of gross resource above 6.2 tcf.

Peter Botten, Oil Search's Managing Director, said:

*"This is an important milestone that enhances our confidence in the Elk-Antelope resource and confirms our view of the potential for at least two more LNG trains in PNG. The key next step is to commence drilling the Antelope 7 well in the third quarter, which is targeting an additional 1-2 tcf of gas in the western flank of the field. In parallel with the Antelope 7 drilling, Oil Search will play an integral role in working with all stakeholders to move seamlessly into the development phase and focus on a concept that captures the considerable integration opportunity that we see between PNG LNG and Papua LNG."*

**PETER BOTTEN, CBE**

**Managing Director**

**For further information please contact:**

Ann Diamant

General Manager, Investor Relations and Communications

Tel: +61 2 8207 8440

Mob: +61 407 483 128

## Notes:

GCA and NSAI satisfy the ASX requirement of qualified petroleum reserve and resource evaluators as required by ASX Listing Rules Chapter 5 and have consented to publish the resource estimates in the form and context presented in this announcement. These resource estimates are based on, and fairly represent, information and supporting documentation prepared by GCA and NSAI.

The Certifiers were provided with a full set of available data at commencement of the process and new data as it has been received from the operator. The Certifiers have utilised results and data from all appraisal wells up to, and including, Antelope 6. The Certifiers were provided with the same data and information, with Oil Search providing such data or information (including raw, analysed and processed data and interpretive data and assessments) as the Certifiers reasonably required and requested and Oil Search reasonably believed would assist the Certifiers.

Additional data since the Oil Search resource booking include appraisal wells Antelope 4/4ST1, Antelope 5 and Antelope 6, production and interference testing and additional seismic processing.

As agreed in the SPA, NSAI employed a deterministic methodology while GCA employed a probabilistic methodology. Otherwise the Certifiers were provided with the same instructions.

GCA and NSAI each undertook an independent certification study of the contingent gas and condensate resources of the Elk/Antelope fields in accordance with:

- the Petroleum Resources Management System sponsored by Society of Petroleum Engineers 2007, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers (PRMS); and
- the Guidelines for Application of the Petroleum Resources Management System November 2011 sponsored by Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation Engineers and Society of Exploration Geophysicists (PRMS Guidelines).

Based on PRMS guidelines, the Elk-Antelope resource is still 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.