

19th March 2018

Petsec Energy Announces Operatorship of Block 7 through the Acquisition of Oil Search (ROY) Limited

Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)

Petsec Energy is pleased to advise it has completed the transaction with Oil Search Limited (ASX: OSH) to acquire all of the shares of its subsidiary Oil Search (ROY) Limited which holds a 40% working interest (34% participating interest) in the Al Barqa (Block 7) licence and operatorship, in the Republic of Yemen.

Completion of the Oil Search agreement follows the 2016 transaction with KUFPEC (25% working interest) to acquire their interests in Block 7, and the transactions with AWE Limited (25% working interest) and Mitsui E&P Middle East B.V. (10% working interest) completed and approved by the Yemen Ministry of Oil and Minerals in 2014. The acquisition of Oil Search (ROY) Limited increases Petsec's potential working interest in Block 7 to 100% and operatorship of the block.

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) located approximately 340 kilometres East of Sana'a, 80 kilometres North East of the Company's Damis (Block S-1) Production Licence, and 14 kilometres East of OMV's Al Uqlah (Habban) Oilfield. The block contains the Al Meashar oil discovery made by Oil Search Limited in 2010 as well as an inventory of nine prospects and leads defined by 2D and 3D seismic surveys, with target sizes ranging from 2 to 900 MMbbl oil gross.



The Al Meashar Oilfield, with a target resource of 11 MMbbl to 50 MMbbl¹, contains two suspended discovery wells that intersected over an 800 metre oil column which in 2010-11 delivered flow rates ranging from 200 to 1,000 bopd in short-term testing of the wells. The oil column extends over the same reservoir sequence as that of the Habban Oilfield in the adjacent Al Uqlah (Block S-2).

Petsec Energy has secured a 100% interest in two production and exploration licenses in the highly productive Shabwah Basin in Central Yemen., Blocks S-1 and 7, which contain six oil & gas fields – one developed and five yet to be developed, with cumulative target resources between 45 and 84 million barrels of oil and 550 billion cubic feet of gas ^{1&2}, in addition to further high potential exploration targets.

Block 7 is a key addition to the Company providing material upside to Petsec’s existing Production Licence, Damis (Block S-1) acquired in February 2016 from Occidental Petroleum, which holds the developed An Nagyah Oilfield and four undeveloped oil and gas fields, containing substantial oil and gas resources in excess of 34 million barrels of oil and 550 billion cubic feet of gas ². The developed An Nagyah Oilfield was estimated, based on limited production rates of 5,000 bopd for trucking purposes, by DeGolyer and MacNaughton, reserve engineers, to contain gross 2P reserves of 12.8 MMbbl, of which the financial net to Petsec Energy is 5.6 MMbbl ³ of oil, having a NPV₁₀ of US\$155.4 million based on 1 January 2016 forward oil prices.

Petsec’s Chairman, Mr Terry Fern stated “*We are pleased to have secured the acquisition of 100% of both Blocks 7 and S-1 so we can now concentrate on bringing these acquired oil and gas fields into production. This oil and gas production is critically important to the local Yemeni people to provide employment and revenues, absent since 2015 because of the country’s political issues.*

We were heartened by the recent welcome and encouragement we received from senior members of the Yemen Government currently based in Riyadh, Saudi Arabia, and hope this offered support will allow the early restart of production of the An Nagyah Oilfield, which will demonstrate to the World that foreign investment is welcome in Yemen, and will encourage other foreign oil companies to join us in rebuilding the Yemen oil industry.

We look forward to working with the Ministry of Oil & Minerals in developing Yemen’s oil and gas industry.”

1. Source: Oil Search Limited.
2. Source: Wood Mackenzie Asia Pacific Pty Ltd (November 2015).
3. The reserves referred to above are consistent with the announcement released to the ASX on 22 February 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in these announcements, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

For further information, please contact:

Mr. Paul Gahdmar
Company Secretary &
Group Financial Controller
Petsec Energy Ltd
Level 27, Governor Macquarie Tower
One Farrer Place
Sydney NSW 2000
Tel: (612) 9247 4605 Fax: (612) 9251 2410

Mr. Manny Anton
Head of Investor Relations &
Corporate Development
Petsec Energy Ltd
Level 27, Governor Macquarie Tower
One Farrer Place
Sydney NSW 2000
Tel: (612) 9247-4605 Fax: (612) 9251 2410

Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and state waters of the Louisiana Gulf Coast region of the USA. The Company also has operations onshore in the Republic of Yemen.