
ASX Announcement (ASX: NSE)



NEW STANDARD
ENERGY

Date: 23 October 2014

New Standard secures Santos as PEL570 partner

New Standard Energy Ltd (**New Standard**) is pleased to announce that it has divested part of its interest in PEL 570 in the Cooper Basin, South Australia, to Santos Ltd (**Santos**), to significantly reduce its exploration expenditure commitments while retaining exposure to the development of the large and prospective permit.

The transaction enhances and focuses New Standard's balance sheet on the Company's primary growth target, the development of its Eagle Ford shale assets in Atascosa County, Texas.

New Standard will retain a 17.5% working interest in PEL 570 in return for a cash consideration of \$7.5m coupled with a commitment from Santos to meet 75% of New Standard's remaining expenditure commitments associated with the \$42.5m earn-in obligations - of which approximately \$0.3m has been spent to date.

Assuming the earn-in obligations are fully met, the total benefit to New Standard will be \$39.15m. Post the cash consideration, New Standard's net expenditure equates to as little as \$3.05m whilst retaining a 17.5% working interest in PEL 570. Operatorship has been transferred to Santos.

This deal will bring together a powerful consortium of Santos, Magnum Hunter Resources Corporation (**Magnum Hunter**), New Standard and Drillsearch Energy Ltd (**Drillsearch**) to explore and develop PEL 570. Importantly the transaction also removes the majority of funding commitments for New Standard moving forward and establishes a clear pathway to commercialisation for potential future development of PEL 570 alongside two experienced Cooper Basin operators in Santos and Drillsearch.

Completion of the transaction remains subject only to statutory and regulatory government approvals, and upon completion the following permit interests will be held in PEL 570:

| Party name | Pre deal PEL 570 equity | Post deal PEL 570 equity |
|---------------------------------|-------------------------|--------------------------|
| New Standard Energy | 52.5%* | 17.5% |
| Drillsearch Energy (Ambassador) | 47.5% | 47.5% |
| Santos Ltd | nil | 35%* |

* Operated interest

"The addition of Santos to PEL 570 significantly enhances exploration and development capability and provides a clear commercialisation pathway," New Standard Managing Director Mr Phil Thick said.

Santos will assume operatorship of the permit whilst indicating that a collaborative approach will be pursued in relation to technical and operational input from New Standard's partner and major shareholder, Magnum Hunter as the program evolves. New Standard and Santos believe that over time Magnum Hunter's participation will inject invaluable and world class technical knowledge and resources to ensure the Patchawarra Trough is explored and appraised in conjunction with a world leader in global shale plays.

"We are delighted to have secured this agreement with Santos. They have been in the Cooper for more than fifty years and know the basin better than anybody. Santos will provide first class operatorship and execution capability to explore and develop PEL 570," Mr Thick said.



“The agreement with Santos reduces New Standard’s exploration expenditure considerably while retaining meaningful exposure to exploration and development success of a large permit in a proven petroleum system for New Standard’s shareholders.

“In addition, this demonstrates the benefits of our relationship with Magnum Hunter, who will bring exceptional experience and endorsement to the Patchawarra program to progress it from advanced exploration right through to development.”

Pathfinder Energy continues to work closely with New Standard and were the advisors to the Company on this transaction.

PEL 570 is part of a proven, producing petroleum system and has direct access to pipeline infrastructure. That part of the Basin has been found to contain low CO₂ and possesses a higher liquids content, particularly in the northern region of the Basin.

“We look forward to working with our partners in PEL 570 to prove up the hydrocarbons so we can utilise the existing pipeline infrastructure to supply gas to either domestic or export markets,” Mr Thick said.

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About New Standard: New Standard Energy is an onshore hydrocarbon producer, developer and explorer with a commitment to develop and realise the oil and gas potential of the most prospective shale and tight gas basins across the US and Australia.

The Company's exploration and production program is active and extensive. It is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of prospective projects. New Standard's Board has substantial technical and commercial experience in the oil and gas sector.

The Company operates in four primary basins: Eagle Ford, Texas, USA; Cooper, South Australia; and the Canning and Carnarvon, Western Australia.

The Eagle Ford acreage is a development and production project. It contains seven existing production wells, in the oil window of the Eagle Ford shale, which are currently producing and generating revenue that will provide immediate monthly cash flow to the Company. New Standard is currently drilling and evaluating additional wells.

The Cooper Basin Project is later stage exploration and development, to take advantage of existing infrastructure and the domestic and export opportunities available in the Australian East Coast gas market.

The Canning and Carnarvon Projects are frontier basins, providing New Standard's investors with exposure to high risk, high reward exploration.

New Standard benefits from a strategic alliance with its major shareholder, the US-based Magnum Hunter Resources Corporation, to efficiently develop the Atascosa Project in the Eagle Ford; to develop the Cooper Basin; and to explore in the Canning and Carnarvon Basins. The Company's portfolio includes:

Texas, USA

Atascosa Project

- Operated working interests ranging from 35.4% to 100% across 5,585 net acres in the Eagle Ford shale, onshore Texas

Colorado Project

- 32.5% non-operated working interest, Colorado County, onshore Texas

South Australia

Cooper Basin Project

- 17.5% non-operated interest in the PEL 570 acreage area, Cooper Basin, South Australia

Western Australia

Southern Canning Project

- 100% operated interest in exploration permits (EPs 443, 450, 451, 456), Southern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-006, STP-EPA-007 and STP-EPA-010), Southern Canning Basin, Western Australia

Laurel Project

- 100% operated interest in exploration permit EP 417, Northern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-0092 and STP-EPA-0109), Northern Canning Basin, Western Australia

Merlinleigh Project

- 100% operated interest in exploration permits (EPs 481 and 482), onshore Carnarvon Basin, Western Australia

In addition to the above portfolio, New Standard has an 11.8% equity interest in ASX listed Elixir Petroleum (**ASX: EXR**) and has formed a strategic alliance with Magnum Hunter Resources Corporation (**NYSE: MHR**) to deliver expertise and corporate growth. New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.