

27 October 2014

Company Announcements Office
ASX Limited
4th Floor
20 Bridge Street
Sydney NSW 2000

Cambay-77H – Preparing for production test

- Preparations have commenced to undertake the production test
 - Analysis indicates the Y zone flow parameters are predicted to be within expectation
 - Potential for future well designs to have fewer fractures per horizontal length, leading to significant cost savings
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Oilex Ltd (ASX: OEX, AIM: OEX) is pleased to announce that Cambay-77H continues to recover water, light oil and gas on a steady flowing tubing head pressure (FTHP) of ~220 psi on a 24/64th inch choke. The relatively steady FTHP is interpreted to indicate that the well has reached its long term stable production curve. Subsequent to completion of all coiled tubing (CT) operations, Oilex now estimates that ~5,400 bbls of Operations (CT and Frac) water remains in the well and continues to be recovered at surface.

Analysis of flowback data for ~ 85 days has been completed by RISC, a specialist oil & gas consulting company, with reservoir engineering personnel experienced in the Canadian Montney tight/shale gas play. The Montney Formation is a major productive unit and possible analogue for the Y Zone reservoir of the Cambay Field due to its hybrid siltstone and shale content.

Cambay-77H is a proof of concept well with a very short horizontal lateral (350m) having 8 fracs in 4 stages. Typical North American wells can have 1,000m – 1,500m laterals with 20 to 30 or more fracture treatments. As Cambay-77H is the first well of this type in India and no formation water has been recovered to date, the duration required to complete flow back operations is not known as there is no other reference for this reservoir.

Given the strong gas demand in India, the Cambay JV is currently investigating the opportunity to sell gas concurrently with the ongoing water recovery operations after completion of the production test. Gas production commenced immediately after opening the well to start flowback and Oilex proposes to include gas sales as part of flowback operations in future wells to capture early revenue in a manner similar to North American operations.

Key observations from the RISC analysis are:

1. Cambay-77H is likely to flow at ~ 0.5-1MMscfd with associated hydrocarbon liquids for a sustained period of time during the stable production phase in the absence of vertical flow performance issues related to higher hydrocarbon liquid to gas ratio (LGR) and water recovery.
2. The 4 ½ inch production casing, designed for a LGR of 40 bbls/MMscf appears to be oversized for a well flowing reservoir fluids currently interpreted to have an LGR of ~ 100 bbls/MMscf as was observed for most of the flowback period, 250% higher than the original design.

3. Numerical modelling of Cambay-77H, using the Oilex reservoir parameters indicates possible competition between the fractures. If confirmed by ongoing analysis of production and test data, future wells with longer horizontals could be designed using increased fracture spacing leading to significant cost savings.

Given the duration of flowback, Oilex requested RISC to consider the feasibility of production testing the well prior to complete recovery of the Operations water. Based upon the analysis of the flowback data, RISC has designed a production test that should achieve the technical objectives of a longer test.

Field preparation for this testing procedure has started and the test duration is expected to be ~ 30 days. Due to ongoing recovery of Operations water and the number of flowback days, the upcoming production test is not designed to assess the maximum deliverability from Cambay-77H. The test incorporates downhole instrumentation designed to provide data which allows a more accurate prediction of future performance and crucial information for planning the next drilling campaign, without waiting for the recovered water to be less than 10% of the total well flow.

Successful completion of the test should enable the Cambay JV to progress putting the well into gas production. The test will also assist in identifying if any ongoing impairment of the well bore connection to the reservoir. The combined production of Cambay-73, once brought back into production, and Cambay-77H, during ongoing water recovery, is estimated to be circa 1MMscfd and 40bopd (~200 boepd gross). This is a significant step towards cash neutral operations, which should be attainable with the start-up of Bhandut-3 gas sales and ongoing Cambay oil production from legacy wells.

Managing Director of Oilex, Ron Miller, said;

"Achieving all the proof of concept objectives in Cambay-77H is nearly complete with many key insights being identified. In particular, possible wider frac spacing implemented in future wells will allow more reservoir energy to be used for producing hydrocarbons and less on recovering operations water during flowback, while being more cost effective. At Cambay-77H, Oilex has successfully drilled, fracture-stimulated, recovered substantial operational water, gas and light oil and is about to commence production testing the first horizontal well with multistage fracture treatments in India. This is another step in the rejuvenation of the Cambay Field and creating a sustainable business for Oilex."

For and on behalf of Oilex Ltd



Ron Miller
Managing Director

For further information, please contact:

Oilex Ltd

Ron Miller, Managing Director
Email: oilex@oilex.com.au
Tel: +61 8 9485 3200
Australia

Strand Hanson Limited

Nominated Adviser and AIM Broker
Rory Murphy/Ritchie Balmer
Email: oilex@strandhanson.co.uk
Tel: +44 20 7409 3494
UK

Tavistock Communications

Ed Portman
Email: eportman@tavistock.com
Tel: +44 20 7920 3150
UK