Nido Petroleum Limited

Company Insight
the intelligent market update

Nido Petroleum Limited **Date of Lodgement: 05/11/12**

Title: Company Insight - Galoc Increasing Output

Highlights of Interview

- **Nido's share of total Galoc Phase I and II production should grow from around 1,200 bopd to in excess of 2,700 bopd from the second-half of 2013. In annual terms, Nido's annual net production from the Galoc oil field should increase from around 400,000 barrels to between 900,000 and 1 million barrels**
- **Galoc II development proceeding at full steam**
- **Discusses the overall potential of the Galoc oil field, and the prospects at Galoc North and in the intermediate area between Galoc and Galoc North**
- **Explains the status of discussions with Viking Energy Holdings 2 Limited ('Viking') on a farmout of the SC54A area (to the south-west of Galoc)**
- **Explains in more detail how Nido is likely to progress its strategy over the next 12 months**

Record of interview:
With Phil Byrne, Managing Director of Nido Petroleum Limited (ASX code NDO; market capitalisation ~$50 million)

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To what extent will Galoc Phase II increase Nido's production?

Phil Byrne
The Operator estimates that Phase II will lead to the recovery of around an additional 8 million barrels of crude from the field and it anticipates the two new wells will increase field gross production from Phase I levels of 5,200 barrels of oil per day (bopd) to a combined field rate of 12,000 bopd.

Nido's share of total Phase I and II production should be in excess of 2,700 bopd from the second-half of 2013. In annual terms, on a net to Nido basis, our annual production should therefore increase from around 400,000 barrels to between 900,000 and 1 million barrels.

Since Nido's crude from Galoc is a premium product - with an API of 35 degrees and low sulphur levels- it is easily placed into the regional markets and we are consistently achieving prices of ~US110 per barrel.

In other words, Nido should be generating very strong cashflows from the second half of 2013.

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What progress can you report on the development of Galoc Phase II?

Phil Byrne, Managing Director
The Galoc Phase II development is progressing at full steam since the operator announced the Final Investment Decision on 11 September this year. Since then, the operator has contracted the Ocean Patriot rig which will drill the development wells, and it has also ordered the subsea flow lines and ancillary equipment necessary for the development. Development work is expected to continue throughout the first half of calendar 2013 with the Operator expecting production to commence in the second half of 2013.

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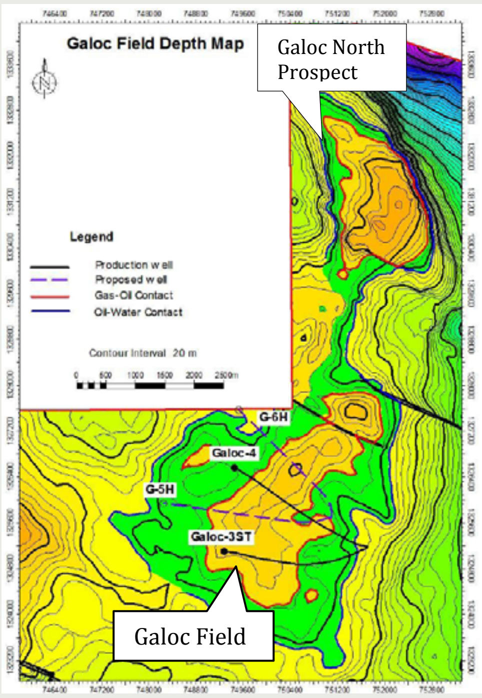
Have any developments occurred that give insight into the overall potential of the Galoc Field?

Phil Byrne
We already had good knowledge of the structure based on existing seismic and the substantial production history from our existing two wells. However, when the Galoc production facility was in dry dock for modifications last year, the JV took the opportunity to supplement its knowledge by acquiring additional 3-D seismic over the field area, including over the Galoc North prospect to the north of the Galoc production field.

This has been a valuable source of understanding. In particular, the 3-D seismic gave us greater confidence in the reservoir distribution over the area and in the shape of the structure, and we identified that the overall Galoc structure was larger than we'd originally thought. The 3-D seismic also identified the oil-bearing sands and allowed the Operator to map their distribution. We also completed considerable field production analysis, including analysis of the pressure data, which gave us greater confidence in the reservoir distribution. This work affirmed the indications from the 3-D seismic that the field was in fact larger than we'd originally thought.

I think the map below shows the relationship quite well.



In a nutshell - the seismic and ancillary work has allowed the JV to further delineate the attractive near-field Galoc North prospect. Further, with the contracted Ocean Patriot rig available to drill an additional hole, the JV has the means to drill the prospect in conjunction with the Galoc Phase II work.

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When will Galoc North be drilled, and how do you assess its likely impact?

Phil Byrne
The Galoc North structure is to the north of the main Galoc producing field, and is part of the existing Galoc JV participants' SC 14C venture.

As noted earlier, Galoc North's existence has been known for some time, and the new 3-D seismic has given sharper focus to its potential. In particular, the 3-D seismic indicates that the field has a robust structural closure which appears to be connected to the main Galoc oil field. Galoc North therefore presents an excellent and attractive near-field drilling opportunity which if successful, would permit oil production to be tied rapidly into our nearby production infrastructure.

The Galoc JV also recognises the further appraisal potential between the main field and the Galoc North prospect. This is currently the focus of intense evaluation by the Operator's technical team and we are looking forward to reviewing their assessments and the results of their work before the end of the year. At that point, the Galoc JV plans to make a decision in relation to the drilling of a well in either this intermediate area or on the Galoc North Prospect.

If the JV decides to drill an additional well it would be completed immediately following the two Phase II development wells planned for the first half of 2013.

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In Nido's recent Quarterly Report you mentioned that discussions with Viking Energy Holdings 2 Limited ('Viking') on a farmout of the SC54A area (to the south-west of Galoc) were taking longer than anticipated. Can you comment further on this?

Phil Byrne
The negotiations are taking longer than we had expected because Viking has recently indicated that it would need to complete a reserves assessment as a pre-condition to any possible farm-in deal being finalised. This - coupled with the need for the Joint Venture to reach alignment with Offshore Production Solutions Limited (OPS) on the terms of a charter party contract for the supply of Offshore Processing and Storage Facilities and operational and maintenance services in connection with the farmout - has delayed progress. In this context, Nido is now also entertaining other options apart from the Viking proposal.
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Can you give more detail on how Nido is likely to progress its strategy over the next 12 months?

Phil Byrne
Nido's three-pronged strategy is built on a lot of careful thought.

The first component of the strategy is to maximise production from our development opportunities and existing discoveries.

As noted above, Galoc I and Galoc II are targeted to produce a combined 12,000 bopd – giving Nido a production share of just over 80,000 barrels a month - and the adjacent northern prospects offer additional upside.

We are also focussing on the development of the West Linapacan field in SC 14C2 (approximately 25 kilometres southwest of Galoc) where we hold a 22.28% working interest. This field produced 8.5 million barrels of oil before being shut-in in 1996 due to unfavourable economics at a time of lower oil prices. Importantly, though, the previous work had estimated the field to hold around 100 million barrels of oil in place, and in today's oil price environment of ~US$100 a barrel coupled with modern horizontal well completion technology, the West Linapacan field presents a very attractive proposition for potential re-development. Nido is working towards developing this opportunity as a further revenue stream.

RMA (HK) Limited, the operator of the block, is currently reviewing all the technical data on the field and Nido is working with it to certify reserves by the end of the first quarter of 2013. The Joint Venture is targeting a Final Investment Decision in 2013 and first oil in early 2014. The operator estimates that field flow rates in the order of 10,000 bopd are achievable.

We are also in discussions to develop some of our existing discoveries in permit SC 54A (further southwest of West Linapacan). In this context, Nido 1X-1, which straddles permits SC 54A and SC 14A, has recently assumed greater significance in our portfolio and the SC 14A Joint Venture is now actively considering options for its re-development from the existing SC 14A infrastructure.

The second leg of our strategy is to develop and optimise our exploration portfolio.

Our immediate exploration focus is around the Galoc North prospect. We will also be drilling a second exploration well in 2013, to be operated by Nido, in permit SC 63 which is in the southern part of our exploration portfolio. We are currently aiming to drill this well in conjunction with other operators' drilling programmes in the Philippines - in order to share rig mobilisation costs.

Finally, we recognise that Nido has one of the largest acreage positions in the Philippines, and we're actively seeking to farm out our portfolio, by bringing in partners to join us in the drilling of our exploration wells over the next year or two.

The third strand of our strategy is to look selectively at other opportunities in South-East Asia, to augment our Philippines asset portfolio.

There is good sense, I believe, in expanding our portfolio geographically so we are not – and not perceived to be - exclusively a Philippines company. I'd hasten to say that we are very comfortable operating in the Philippines where the Government is extremely supportive. However, we should take the opportunity to become a balanced company in a number of senses - throughout the region, as well as across the different stages of the exploration, development and production cycle.

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Thank you Phil.

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