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## CEO on Q2 Developments & Reserves

Open Briefing interview with CEO Julie Beeby

WestSide Corporation Limited  
Level 8, 300 Queen Street  
BRISBANE QLD 4000

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### In this Open Briefing<sup>®</sup>, Julie discusses

- Reserves upgrade
- Initiatives in place to support production ramp up
- Implications of recently signed gas swap agreement
- Outlook for production and exploration in 2012

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### Record of interview:

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WestSide Corporation Limited (ASX: WCL) has upgraded its 2P reserves by 17% to 258 PJ and 3P reserves by 96% to 725 PJ. How rigorous is this 2P and 3P reserve upgrade when no additional exploration drilling has taken place?

#### CEO Julie Beeby

The upgrade reflects a more detailed analysis of regional and newly interpreted data for the entire Meridian SeamGas (WCL 51%) licence area. WestSide completed an extensive exploration program in the first half of 2011, which was reflected in the reserves upgrade at that time.

During the second half of 2011 WestSide focused on bringing the newly drilled production wells into production and further refurbishment and work-overs of existing wells as well as development of a full field development plan.

The results from further studies on deeper exploration wells at Meridian and production results from deep wells drilled were correlated and these results were incorporated in the new reserves assessment. Results from a gas flow test at the Paranui pilot were also used to support the production data used to underpin the 3P estimate in the upper seams.

This reserves upgrade further highlights the latent brownfield reserves expansion potential of the Meridian SeamGas fields.

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In light of your recent announcement of a \$0.65 cent per share indicative offer for the company, how do you expect the substantial reserves upgrade to impact your negotiation position with the potential acquirer?

**CEO Julie Beeby**

The proposal we've had is indicative, non-binding and highly conditional. There is no certainty that the approach will result in a binding proposal.

Meanwhile, it's business as usual for WestSide, and we continue with our strategic plans to further prove up our existing reserves and continue our exploration activities. The recent reserves upgrade provides some confirmation of the potential of our key assets and gives us confidence in their long-term value.

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What is the significance of this upgrade for your overall portfolio value and what opportunities are there for further reserve upgrades over the short to medium term?

**CEO Julie Beeby**

WestSide now has the potential to contract additional future gas sales on the strength of these expanded reserves. Opportunities for further gas upgrades still exist, largely from additional drilling in the deeper sections of Meridian and through improved gas recovery using more efficient extraction technologies and techniques.

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WestSide Corporation Limited (ASX: WCL) recently announced production of 743,926 GJ from the Meridian SeamGas field for the December quarter, down 3.0% from the September quarter. How do you reconcile this fall in production with your statements that production is continuing to ramp up?

**CEO Julie Beeby**

WestSide's average net daily sales volumes were impacted by a combination of factors including reduced availability of third party gas, the planned maintenance shutdown of the Hillview compressor station and a temporary loss of production from wells including two top performing new wells (Pretty Plains 2 and 10).

These wells are now being brought back on line, along with a third new well – Meridian 29 – the commissioning of which has been progressing in line with the other two wells. WestSide's average daily sales started to recover in December, rising to 4,276 GJ per day from 4,232 GJ in November, and reached 4,489 GJ during January. WestSide expects this upward trend to continue.

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The Pretty Plains 2 and 10 wells have reached significant production levels but, as you have noted, the need to work them over due to fines contributed to the lower production in the last quarter. How are you addressing this issue?

**CEO Julie Beeby**

We are investigating and implementing various field development options and well completion technologies to lift both production and efficiency. One of the most promising technologies capable of addressing any fines problem and thereby speeding up the commissioning process is a gas lift pumping system.

This is not new technology in the CSG industry. Gas lift systems have been successfully utilised in the US for a number of years and we are now preparing to install and test this equipment in the field at Meridian on one dual-lateral well initially.

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The Meridian JV is still not meeting its supply requirements under contract and continues to pay liquidated damages. With WestSide and its Meridian SeamGas partner Mitsui E&P Australia executing a gas swap agreement during the quarter to fast-track access to gas to help meet their contractual supply commitments, how will sales be impacted in the short to medium term?

**CEO Julie Beeby**

WestSide is yet to draw on any gas under the agreement and is working with the supplier to finalise logistical arrangements to secure the physical delivery of gas at the required delivery point. The agreement is flexible so we will access gas when it is available to increase sales and reduce liquidated damages when we can. The impact of this will be greater in the short term, because as we increase production toward our target of 25 TJ/day at Meridian, the liquidated damages will proportionately decrease. Under the swap agreement any gas borrowed during 2012 must be repaid by the end of calendar 2015.

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Three of the seven new dual-lateral wells WestSide has commissioned at Meridian have already produced at pre-peak rates in excess of 600,00scf/d. The third well (Meridian 29) is presently producing more than 621,000scf/d. Can this success be replicated at the other Meridian wells and what are the longer term implications for Meridian production?

**CEO Julie Beeby**

We believe our wells can all be brought into production in 2012, but the timing depends greatly on the individual well, the gas reservoir in the area of the well and the particular equipment used for dewatering.

As we gain experience and trial innovative technology we are finding that we can bring the production wells on more swiftly and more productively. The long-term implication of this is that we are demonstrating to potential gas customers our ability to reliably ramp up gas production when required for major contracts.

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Available third party gas sourced for resale by WestSide, from the nearby Mungi field was down 33% in the quarter. What has caused this decline and how long it will last?

**CEO Julie Beeby**

Meridian processes and sells gas that is supplied from the Mungi field owned by Molopo on an as available basis. WestSide is not in a position to comment on Molopo's plans for its field.

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WestSide has stated that production remains critical to its success and that it restructured its production operations during the quarter. Is this an indication that you're stepping back in your exploration activities? How is production expected to benefit from the restructure?

**CEO Julie Beeby**

No, we are not stepping back from our exploration activities. We plan to remain active in both the Bowen and Galilee Basins with exploration in 2012 to identify CSG prospective areas and continue the operation of existing pilots.

The purpose of the restructure was to form two focused groups – one on exploration and the other on production. The production team contains specialist staff to analyse the reservoirs and well ramp-up to ensure production from the wells is brought on to maximise the value of each well. The key goal of this focused team is to reliably ramp up production of gas and we believe we have already seen a benefit from its work in January with a 5% lift in production over the previous month.

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Planning is underway for additional activity on projects operated by WestSide at Paranui and Mount Saint Martin during 2012. Where are you in the planning process and how important are these projects as future value drivers for WestSide?

**CEO Julie Beeby**

In ATP 769P we are planning for the installation of a gas lift system on the existing Paranui pilot wells during the second quarter, subject to the success of a trial we are currently conducting at Meridian SeamGas.

Planning is also underway for further exploration drilling in the northern areas of the tenement targeting reserves additions. The joint venture is proposing to drill two additional wells and will be conducting a seismic program within the tenement to identify new exploration targets.

We are also currently evaluating drilling at Mount St Martin to develop a pilot there. The goal of these pilots is to increase the reserves certified to build up critical mass for commercialisation. There are two aspects to the planning – pilot design and location approvals.

The pilot design requires analysis of the existing geological and reservoir data to ensure that the drilling and completion of the pilot is optimised for production. The location approvals are in progress. It takes time to obtain landholder approvals and undertake the cultural heritage survey to ensure the interests of all stakeholders are fully considered in the planning of the wells.

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Net operating cash outflow was \$9.4 million in the December quarter, versus \$11.40 million in the previous quarter, and cash at the end of the quarter stood at \$15.7 million, up from \$13.6 million at the end of September. What are your plans for exploration and development spending over the current quarter?

**CEO Julie Beeby**

With the wet season in full swing in Queensland we have cut back our exploration until more amenable drilling conditions can be relied upon. However, this is a time of intense preparation work for the exploration and development for the full calendar year as I mentioned earlier.

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Thank you Julie.

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