

4 September 2013

## **ASX ANNOUNCEMENT**

### **Nido Receives Significant Reserves Booking from West Linapacan 'A' Independent Assessment**

#### **Highlights:**

- Independent assessment by GCA estimates West Linapacan 'A' field 1P Reserves at 9.60 mmstb, on a gross basis (1.94 mmstb on a net entitlement to Nido basis). These Reserves are all sub-classified as Undeveloped.
- 2P and 3P Reserves are estimated at 16.51 and 21.03 mmstb respectively, on a gross basis (and 3.20 mmstb and 3.93 mmstb on a net entitlement to Nido basis).
- West Linapacan has significantly increased the Company's Net Entitlement Reserves position at the 1P and 2P level.
- Additional Contingent and Prospective Resources are also recognised to exist within the field area.
- Independent Reserves estimation is a key milestone in the Joint Venture's plan to re-develop the West Linapacan 'A' field.
- The nearby West Linapacan 'B' discovery is also in the process of being assessed.
- Nido has a 22.279% working interest in both of the West Linapacan 'A' and 'B' fields.

Nido Petroleum Limited (ASX:NDO) ("Nido" or the "Company") is pleased to provide the results of an independent reserves and resources assessment of the West Linapacan 'A' oil field as at 30 June 2013, undertaken by Gaffney Cline and Associates ('GCA') on behalf of the SC 14C2 Joint Venture.

#### **Significant Reserves Booking**

Total West Linapacan 'A' field 1P (Proved) Reserves booked at 9.60 million stock tank barrels (mmstb), based on a two multi-lateral well development scenario. 2P (Proved plus Probable) and 3P (Proved plus Probable plus Possible) Reserves were estimated at 16.51 and 21.03 mmstb respectively.

GCA has estimated West Linapacan 1P Reserves net to Nido of 1.94 mmstb and 2P Reserves of 3.20 mmstb, representing a substantial increase in Nido's total net 1P and 2P Reserves when combined with Nido's interest in the Galoc oil field.

#### **Reserves Underpin Potential Field Re-Development**

Nido's Managing Director, Mr Phil Byrne, commenting on the Independent Reserves Estimation, stated: *"I am extremely pleased with the outcome of the assessment: The independent assessment of reserves represents a significant step-forward in the potential re-development of the West Linapacan 'A' oil field. Importantly, it not only substantially increases our overall reserves position but also provides Nido shareholders with the very real prospect of a second production asset, at an equivalent size to our interest in the Galoc oil field."*

*I have been impressed by the breadth and depth of work undertaken by RMA Energy Group Limited ('RMA') on behalf of the SC 14C2 Joint Venture and look forward to working closely*

*with the operator to identify the most attractive development solution for the field and make a final investment decision at the earliest opportunity.*

*Furthermore, I am also looking forward to the results of GCA's review of the nearby West Linapacan 'B' discovery, which has the potential to be developed in conjunction with the West Linapacan 'A' field, depending on the outcome of the review."*

### **Technical Review Progressed**

The West Linapacan 'A' oil field located in the NW Palawan basin, offshore Philippines and operated on behalf of the SC 14C2 Joint Venture by RMA, is being considered as a potential re-development project by the Joint Venture using modern horizontal drilling and completion technology.

The West Linapacan 'A' field produced 8.5 million barrels from the Eocene-aged West Linapacan Limestone between 1992 and 1996 before being shut-in due to the low oil price, high operating costs and technical considerations.

Over the past year the Operator, RMA, has completed an extensive technical review of the existing geological and production data from the field, resulting in new, fully integrated static and dynamic reservoir models which has underpinned the reserve and resource assessment undertaken by GCA.

The Joint Venture is now in a position to commence the front end engineering and design work (FEED) in order to reach a potential investment decision.

### **Details of West Linapacan 'A' Reserves & Resources Assessment**

GCA has completed its Independent Reserves and Resources assessment on the West Linapacan 'A' field in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resource System (SPE PRMS) Definitions and Guidelines and the ASX Listing Rules including proposed Listing Rules 5.25 to 5.44 where applicable.

The tables and information below summarise the Reserves and Resources for the West Linapacan 'A' field as at 30 June 2013 in accordance with these Requirements.

### **Reserves**

Although the field has produced in the past, the West Linapacan 'A' field is considered as undeveloped at this time, with all future production coming from new wells and facilities. Current plans envisage production start-up from West Linapacan 'A' in 2015.

The Re-development of West Linapacan A is based on a phased approach, using leased equipment where possible to minimise capital exposure. Current plans envisage drilling two horizontal, dual-lateral, subsea development wells tied back to a Floating Production System (FPU). Crude oil sales will be by ship-to-ship transfer from the FPU to a shuttle tanker. Part of the associated gas will be used as fuel. Produced water will be treated to industry standards and discharged overboard, in accordance with accepted practices in the Philippines. The development plan is still being optimised, and has not as yet been submitted to the Philippines authorities for approval, but is sufficiently developed to provide Capital and Operating cost estimates that have been used as the basis of GCA's assessment. The Joint Venture will obtain the necessary environmental approvals from the Philippine authorities in conjunction with its submission of the development plan.

Development of SC 14C2 is governed by a Service Contract, the terms of which have been modelled by GCA in conducting its Economic Limit Test (ELT). GCA Oil Price assumptions are based on a Brent Oil price forecast adjusted for a quality differential after adjustments for insurance and freight. The average discount to Brent of US\$2.18/Bbl applied to the Oil Price Scenario tabulated below was based on recent sales from Nido's nearby Galoc field. The analysis was run assuming an effective discount date of 30<sup>th</sup> June, 2013.

The GCA Brent Oil Pricing Scenario is shown below.

Period	Forecast Price Case (US\$/Bbl)
2013	101.29
2014	104.65
2015	98.23
2016	94.39
2017	93.37
2018	99.71
Thereafter	+ 2.0% p.a.

Capital and Operating costs were assumed to escalate at 2.0% p.a. from 1<sup>st</sup> January, 2014.

GCA has considered production forecasts based on the Operator's re-development plan to be classified as Reserves under the sub-category 'Justified for Development'. Reserves were estimated using deterministic methods and have only been assigned to the planned development in the main Linapacan Limestone (LLS).

As part of its reserves assessment work, GCA reviewed various data, interpretations and models provided by the Operator and conducted its own analyses of these data sets and models, amending them where necessary. The assessment conducted by GCA, in arriving at its oil in-place estimates, comprised geophysical analyses, a review of depth conversions, review and update of the geological model, petrophysical analyses and a review of fluid contacts.

GCA concluded its work with a review of DSTs and production/pressure history prior to a review of RMA's simulation model, and history-matching before running in predictive mode to generate the production profiles that formed the basis of GCA's reserves estimates. The reserves estimates are tabulated below.

Reserves Category  UN-DEVELOPED RESERVES JUSTIFIED FOR DEVELOPMENT	Reserves Gross 100% Field	Reserves Net to Nido's Entitlement Interest
	Crude Oil (MMstb)	Crude Oil (MMstb)
1P (Proved)	9.60	1.94
2P (Proved plus Probable)	16.51	3.20
3P (Proved plus Probable plus Possible)	21.03	3.93

## Contingent Resources

Contingent Resources were estimated by GCA for both the main Linapacan Limestone (LLS) and the Intermediate Limestone (ILS) reservoirs and are tabulated below on a Net Working Interest (NWI) basis, as no ELTs have been run. Nido's Net Entitlement volumes would be less than the NWI volumes shown herein.

OIL CONTINGENT RESOURCES	Gross 100% Field			Net to Nido's NWI		
	1C (mmstb)	2C (mmstb)	3C (mmstb)	1C (mmstb)	2C (mmstb)	3C (mmstb)
Intermediate Limestone (ILS)	0.5	2.1	7.7	0.1	0.5	1.7
Linapacan Limestone (LLS)	0.7	2.2	7.1	0.2	0.5	1.6

Contingent Resources in the LLS were estimated using a deterministic approach and represent production volumes beyond the current expiry date of the Service Contract. The ILS lies immediately above the LLS and has produced small volumes from the original development. Contingent Resources for the ILS were estimated using probabilistic methods.

Further evaluation of the ILS reservoir is required to assess its potential to produce commercial quantities of hydrocarbons. The Operator plans to acquire additional log and sample data from the ILS reservoir intervals during the development drilling operations. Evaluation of these data will allow the Joint Venture to assess the development opportunities for these Resources. At this stage there are no plans for any additional appraisal wells to evaluate this reservoir.

It must be appreciated that the Contingent Resources reported herein are unrisks in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

## Prospective Resources

Prospective Resources were estimated by GCA for the Galoc Clastic Unit (GCU) using probabilistic methods. The GCU is a clastic reservoir unit which lies immediately above the ILS and has indications of hydrocarbons from wireline logs in several of the existing West Linapacan 'A' wells, but has not been tested at West Linapacan 'A'. The GCU is considered to be stratigraphically equivalent to the producing reservoir in the nearby Galoc field and as a consequence the associated Geological Chance of Success (GCoS) for this reservoir is high.

The Operator plans to acquire additional log and sample data from the GCU reservoir intervals during the development drilling operations. Further exploration wells may be required to fully evaluate the reservoir should encouraging results be obtained from these data. There are no firm plans for any additional exploration drilling at this time. Until the GCU is confirmed to be a productive hydrocarbon reservoir, the Chance of Development for this reservoir is considered to be low.

Prospective Resources estimates for the GCU are tabulated below. As no ELTs have been run for Prospective Resources, Net Entitlement volumes – the volumetric equivalent of Nido's share of Cost Recovery plus Profit Share – have not been provided. Nido's Net Entitlement volumes would be less than the NWI volumes shown herein.

Reservoir Unit	OIL PROSPECTIVE RESOURCES Gross 100% Field			OIL PROSPECTIVE RESOURCES Net to Nido's NWI			GCoS
	Low Estimate (mmstb)	Best Estimate (mmstb)	High Estimate (mmstb)	Low Estimate (mmstb)	Best Estimate (mmstb)	High Estimate (mmstb)	
Galoc Clastic Unit (GCU)	0.8	4.1	19.5	0.2	0.9	4.3	75%

Prospective Resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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### Competent Persons Statement

In accordance with ASX Listing Rule 5.11, the Company confirms that the hydrocarbon reserves information contained in this document in relation to the West Linapacan oil field was reviewed and signed off by Mr Stephen M. Lane, B. Sc. (Hons.) Geology, Technical Director, Gaffney Cline & Associates, who is a member of the Society of Petroleum Engineers and has at least five years' experience in the sector. Mr Lane is not an employee of the Company and consented in writing to the inclusion of the hydrocarbon reserves information in the form and context in which it appears in this release. The hydrocarbon reserves information contained in this document does not comply with Canadian or US standards of disclosure for oil and gas.





