

# Petsec Energy Ltd

## September 2015 Quarter Results

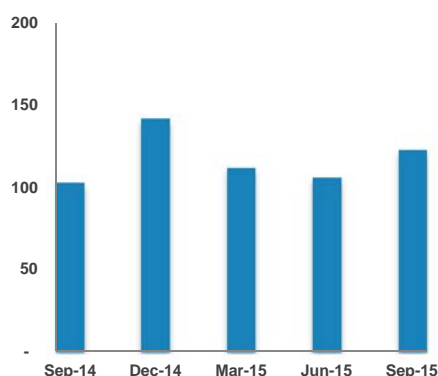


### Financials

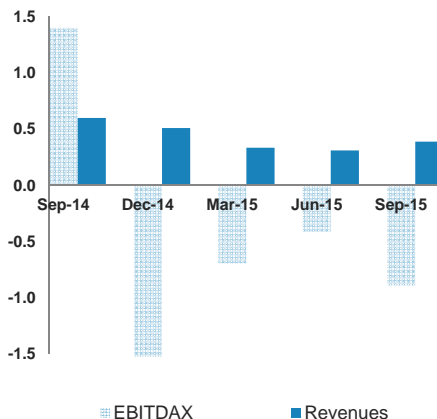
Comparative Performance		Current Quarter Sep 2015	Previous Quarter Jun 2015	% Change	Corresponding Quarter Sep 2014	% Change
Net production	MMcfe	123	106	16%	103	19%
Average sales price	US\$/Mcf	3.16	2.93	8%	5.56	(43%)
Net revenue	US\$000	389	311	25%	563	(31%)
EBITDAX <sup>1</sup>	US\$000	(888)	(410)	n/a	1,447	n/a
Cash <sup>2</sup>	US\$000	22,674	23,956	(5%)	36,177	(37%)
AE&D expenditure <sup>3</sup>	US\$000	6,437	3,899	65%	916	603%
US\$/A\$ closing exchange rate		0.7022	0.7701	(9%)	0.8732	(20%)

- Earnings before interest, income tax, depreciation, depletion and amortisation, and exploration (including dry hole, impairment and abandonment expense, seismic and work-over expense). EBITDAX is a non IFRS number and is unaudited.
- September 2015 cash includes restricted cash amounts of US\$3.7 million (June 2015: US\$5.3 million; September 2014: US\$5.3 million) used to guarantee certain future rehabilitation obligations.
- Acquisition, exploration and development expenditure (accrual-based amounts).

Production — MMcfe



Revenues/EBITDAX — US\$m



### Highlights

#### Corporate

- Completed acquisition of 29.75% interests in Block 7, Al Barqa Permit, in the Republic of Yemen.

#### Operations

- Net production of 123 MMcfe (107 MMcf of gas and 2,707 barrels of oil/condensate).
- Williams No.2 gas/condensate discovery well (Mystic Bayou Field) commenced initial production on 31 August 2015.
- Five exploration prospects drilled/spud during the quarter:
  - The Exxon Mobil Corp. No. 001 (Bayou Saint Charles prospect), Simon Family ET AL No. 1 (North Cossinade prospect), and the Rauser ET AL No.1 (Northeast Starks prospect) wells were plugged and abandoned after failing to encounter commercial reserves.
  - Levert – St. John Farms, Inc. No.1 well (St. Johns Bayou prospect) was spud on 16 September 2015 and is expected to reach TD before the end of October.
  - Main Pass Block 270 #3 well (Hummer exploration prospect) was spud on 15 July 2015 and has reached TD and is being evaluated with wireline logs.

#### Financials

- Net oil and gas revenues of US\$0.4 million.
- Cash balance of US\$22.7 million (including US\$3.7 million of restricted deposits) and no debt.

#### Petsec Energy Ltd

ASX: PSA  
OTC ADR: PSJEY

Petsec Energy is an independent oil and gas exploration and production company listed on the Australian Stock Exchange with operations in the shallow waters of the Gulf of Mexico and onshore Texas and Louisiana, USA, and the Republic of Yemen.

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Terrence Fern

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Alan Baden  
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Paul Gahdmar – Company Secretary

##### US Executives – Petsec Energy Inc.

Richard Smith – CEO  
Ross Keogh – President/Group CFO  
Ron Krenzke – EVP Exploration

##### MENA Executive – Petsec Energy (Middle Eastern) Limited

Maki Petkovski – CEO

#### Investor & Media Enquiries

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## Financial

### Production

Net production for the September 2015 quarter was 123 million cubic feet of gas equivalent ("MMcfe") comprising 107 MMcf of gas and 2,707 barrels of oil/condensate. This was 16% higher than the 106 MMcfe (102 MMcf of gas and 636 barrels of oil/condensate) produced in the previous quarter due to the commencement of initial production from the Williams No.2 Well in the Mystic Bayou Field on 31 August 2015 – see "Operations" section for further details.

The Main Pass Block 19 Field was permanently shut-in in mid-June 2015 and will be permanently plugged and abandoned in early 2016.

Refer to table below and "Operations" section for further details on production from the various fields.

Net production (in MMcfe)	Sep 2015 Quarter	Jun 2015 Quarter	% Increase/Decrease
Main Pass Block 19	-	23	(100%)
Jeanerette Field – ASF No.4	80	83	(4%)
Mystic Bayou Field – Williams No.2	43	-	n/a
<b>Total</b>	<b>123</b>	<b>106</b>	<b>16%</b>

### Revenues and Cashflow

Petsec Energy generated net oil and gas revenues of US\$389,000 for the September 2015 quarter (June 2015 quarter: US\$311,000), from production of 123 MMcfe at an average realised gas equivalent sales price of US\$3.16/Mcfe (June 2015 quarter: US\$2.93/Mcfe).

The Company received an average sales price of US\$2.67/Mcf and US\$38.05/bbl for its natural gas and oil/condensate production, respectively for the current quarter. This compares to US\$2.70/Mcf and US\$55.82/bbl achieved in the previous quarter.

Lease operating expense ("LOE") was US\$1.07/Mcfe (previous quarter: US\$1.41/Mcfe), 24% lower than the previous quarter, mainly reflecting higher production volumes.

Geological, geophysical & administrative ("GG&A") expense of US\$9.72/Mcfe was higher in the current period (June 2015 quarter: US\$9.05/Mcfe), reflecting the Company's increased activities and business expansion in the Middle Eastern and North African ("MENA") region.

Petsec recorded negative EBITDAX of US\$0.9 million for the September 2015 quarter (June 2015 quarter: negative EBITDAX of US\$0.4 million).

A "Financial Summary and Production Data" table is provided on page 4 of this report.

### Cash Position

At 30 September 2015, the Company had no debt and held cash deposits of US\$22.7 million, being equivalent to A\$32.3 million at the period end closing rate of 0.7022 (30 June 2015: US\$24.0 million or A\$31.2 million at the period end closing rate of 0.7701). The cash deposits which are predominantly held in US dollars include secured deposits of US\$3.7 million primarily held in an escrow account to secure operator bonds that are on issue to the Bureau of Ocean Energy Management ("BOEM").

### Hedging

The Company currently has no oil or natural gas swap hedge contracts in place.

## U.S. Oil and Natural Gas Prices

U.S. WTI crude oil futures prices remained highly volatile in the September quarter, trading in a range between US\$38.24 and US\$56.96/bbl. NYMEX WTI futures contracts for delivery in December 2015 are trading at approximately US\$45/bbl at the date of this report.

The NYMEX 12 month and 36 month forward strip prices for WTI crude oil settled at US\$48.32/bbl and US\$51.82/bbl, respectively on 22 October 2015. In comparison, the 12 month and 36 month forward strip prices were trading at US\$53.92/bbl and US\$57.40/bbl, respectively on 15 July 2015.

U.S. natural gas prices generally trended lower in the September 2015 quarter primarily due to rising inventory levels. NYMEX natural gas futures prices traded in a range between US\$2.52 and \$2.93/MMBtu in the current quarter, with the futures contracts for delivery in November 2015 settling at US\$2.40/MMBtu on 21 October 2015.

The NYMEX 12 month and 36 month forward strip prices for U.S. natural gas settled at US\$2.69/MMBtu and US\$2.82/MMBtu, respectively on 21 October 2015. This compares to US\$3.11/MMBtu and US\$3.27/MMBtu, respectively, on 15 July 2015.

The U.S. Energy Information Administration estimates working natural gas in storage for the week ending 16 October 2015 at 3,814 Bcf. This is 434 Bcf or 12.8% higher than the level a year ago and 163 Bcf or 4.5% higher than the 5-year average.

## Operations

### Production

#### Adeline Sugar Factory No. 4 Well – Jeanerette Field

Petsec: 12.5% working interest (9.2% net revenue interest)

The Adeline Sugar Factory ("ASF") No. 4 well located in St. Mary Parish, Louisiana was drilled and brought into production in June 2014.

The well averaged gross daily production rates of approximately 9.4 MMcfd and 57 bopd for the September 2015 quarter.

#### 16,700 RA SUA; Williams No.2 Well – Mystic Bayou Field

Petsec: 25% working interest (18.75% net revenue interest)



Williams No.2 discovery well: Barge drill rig next to production & oil storage facilities

The 16,700 RA SUA; Williams No.2 gas/condensate discovery well, which was drilled in Mystic Bayou Field, St. Martin Parish, Louisiana to 17,266 feet measured depth ("MD")/16,873 feet true vertical depth ("TVD") during the previous quarter, was brought into production on 31 August 2015.

The well was flow tested in July 2015 at various restricted rates of up to 5.7 MMcfd and 744 bcpd on a 13/64" inch choke from a Lower Miocene Planulina age sand reservoir. The flowing tubing pressure ("FTP") during the test was 6,424 pounds per square inch ("psi"). After initial clean up, no formation water was produced.

The well is currently producing at a gross daily production rate of approximately 5.9 MMcfd and 370 bcpd.

### 2015 Exploration Programme

#### USA

Petsec Energy's exploration strategy is to focus on high impact conventional exploration, in mainly gas/condensate and oil rich areas onshore Gulf Coast (Louisiana and Texas) and shallow Gulf of Mexico, USA, and to acquire onshore leases with producing reserves, or near term development reserves, with significant exploitation and exploration potential.

During the quarter, the Company drilled/spud five exploration prospects – North Cossinade, Bayou Saint Charles, Northeast Starks, Hummer and St. Johns Bayou prospects.

The Bayou St. Charles, North Cossinade and Northeast Starks wells were plugged and abandoned after failing to encounter commercial reserves – see below for further details.

The Hummer and St. Johns Bayou wells which are currently being drilled have in total an estimated target size of 8 Bcf of gas and 0.2 MMbbl of oil/condensate net to the Company, at an estimated net risk cost of US\$4.0 million.

### **Exxon Mobil Corporation 001 well – Bayou St. Charles Prospect**

*Petsec: 15% working interest*

The Exxon Mobil Corporation 001 well was spud on 19 July 2015 to test the Bayou St. Charles prospect in Terrebonne Parish, Louisiana. The well was drilled to a TVD of 14,001 feet (14,504 feet MD) to test Middle Miocene age Tex (W) “II” sand reservoirs in a stratigraphic trap with and associated amplitude and AVO anomaly.

The well encountered the object sand structurally as anticipated, but oil and gas shows encountered in the objective sand on the mud logs proved to be non-commercial. The net exploration cost of the well to the Company of approximately US\$1.0 million has been expensed.

### **Simon Family ET AL No. 001 well – North Cossinade Prospect**

*Petsec: 25% working interest*

The Simon Family ET AL No. 001 well was spud on 12 August 2015 to test the North Cossinade prospect in Vermilion Parish, Louisiana. The well was drilled to a TVD of 11,560 feet (11,723 feet MD) to test multiple Lower Miocene age “Alliance” sand reservoirs in a structural fault closure up-dip to oil and gas shows in two previously drilled wells.

The well encountered the object sands approximately 40 feet structurally up-dip to the “show” wells as anticipated. Well logs indicated two of the target reservoirs were either very thin or shaled out on the crest of the structure. Several thin intervals of hydrocarbons were calculated from well logs. However, the zones were deemed to have insufficient pay thickness to produce commercial volumes. The net exploration cost of the well to the Company of approximately US\$0.5 million has been expensed.

### **Rauser ET AL No.1 – Northeast Starks Prospect**

*Petsec: 45% working interest*

The Rauser ET AL #1 well was spud on 6 September 2015 to test the Northeast Starks prospect in Calcasieu Parish, Louisiana. The well was drilled to a TVD of 9,204 feet to test Oligocene age Hackberry sands associated with a seismic amplitude and AVO anomaly.

The well encountered the objective sands structurally as anticipated, but the sands were non-productive. The net exploration cost of the well to the Company of approximately US\$0.85 million has been expensed.

### **Main Pass Block 270 #3 well – Hummer Prospect**

*Petsec: 12.5% working interest (10.24% net revenue interest)*

The Hummer exploration prospect in Main Pass Block 270 was spud on 16 July 2015. The Main Pass Block 270 #3 exploration well is being drilled offshore Louisiana (federal waters), USA in approximately 215 feet of water. Castex Offshore, Inc. is designated operator of the well.

The well will be drilled to a TVD of 16,000 feet to test Miocene age sand objectives.

The Company's share of drilling costs is estimated to be US\$3 million net. Further information on the well is contained within the media release to the ASX on 16 July 2015 and is also available on the Company website at [www.petsec.com.au](http://www.petsec.com.au).

### **St. John Farms, Inc. No. 1 well – St. Johns Bayou Prospect**

*Petsec Operator: 17.5% working interest BPO/14.22% APO (12.6% net revenue interest BPO/10.24% APO)*

On 16 September 2015, the Company commenced drilling the Levert – St. John Farms, Inc. No. 1 well on the St. John Bayou prospect located in St. Martin Parish, Louisiana.

The well is being drilled as a directional well to 14,175 feet MD (12,950 feet TVD) to test Oligocene age Fuselier, Foti, Marg Howei, Camerina and Marg Tex sand reservoirs in a fault closure syncline separated from production in the Northeast flank of St. Martinville salt dome.

The Company's share of exploration costs is estimated to be US\$0.8 million net.

Further information on the well is contained within the media release to the ASX on 18 September 2015 and is also available on the Company website at [www.petsec.com.au](http://www.petsec.com.au).

## **MENA**

The 2015 MENA programme is focussed on bringing the Al Meashar oil discovery in Block 7 into production late in 2015 and to secure additional leases containing both producing and undeveloped oil reserves.

### **Block 7, Al Barqa Permit, Republic of Yemen**

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) located approximately 340 kilometres east of Sana'a, the capital of Yemen.

On 30 September 2015, the Company announced to the Australian Stock Exchange that it had concluded the acquisition of the 29.75% participating interests held by a wholly owned subsidiary of AWE Limited (21.25%) and Mitsui E&P Middle East B.V. (8.5%) in the Block 7 Joint Venture.

The Company expects to conclude its agreement with Oil Search Limited (ASX: OSH) to acquire its 34% participating interest share in Block 7 in late 2015. The acquisition which involves acquiring all the shares of its subsidiary, Oil Search (ROY) Limited, will increase Petsec Energy's overall participating interest in the block to 63.75%. On completion of the transaction Petsec Energy will assume operatorship of the block.

The immediate objective of the Company is to bring the two suspended discovery wells (2010/2011) of the Al Meashar Oilfield into production. Short term testing of the wells in 2011 delivered flow rates ranging from 200 to 1,000 bopd.

The Al Meashar oil discovery is similar in geology and structure to the Habban Oilfield, located 14 kilometres to the West of Al Meashar, operated by OMV. The field has of recent times been producing at rates of 23,000 barrels of oil per day.

## **Proposed Activities – December 2015 Quarter**

### **USA**

During the December quarter, the company will complete the drilling of the St Johns Farm and the Main Pass 270 #3 wells and evaluate the results. In addition, the company continues to evaluate other potential drilling opportunities.

### **Yemen**

The Company is working with the Yemen Government to secure approvals for the long term production testing of the Al Meashar oil discovery on Block 7. This process includes the identification of pre-approved contractors to provide equipment and personnel to conduct the production testing. The operator's community affairs team in Block 7 has visited the block and engaging with the local community to assess the situation within Block 7 and the surrounding area.

The Company's proposal for the 2016 Work Program & Budget focusing on the re-entry and production testing of the Al Meashar #1 and #2 wells and the possible drilling of a third development well on the Al Meashar field has been submitted to the Block 7 Joint Venture Partners for formal approval. In addition to activities on Al Meashar, the Company has proposed the drilling of an exploration well on the large “Omega” oil prospect in 2016 on the basis of a peace initiative being reached in Yemen and operations in the field resuming.

Additional assets, including discovered reserves are being reviewed and assessed for possible acquisition in Yemen as a part of the Company's strategic portfolio build in the region. A number of these assets have been high graded and are being assessed for their commercial fit within the Petsec MENA portfolio.



## Financial Summary and Production Data

Unaudited preliminary financial data			Sep 2015 Quarter	Jun 2015 Quarter	% Increase/ (decrease)	Nine months to Sep 2015	Nine months to Sep 2014	% Increase/ (decrease)
<b>Financials</b>								
Net revenue	US\$000		<b>389</b>	311	25%	<b>1,036</b>	7,681	(87%)
Other revenue/(expense)	US\$000		<b>49</b>	387		<b>591</b>	1,982	
Lease operating expenses	US\$000		<b>(131)</b>	(149)		<b>(427)</b>	(1,545)	
Geological, geophysical & administrative expenses (GG&A)	US\$000		<b>(1,195)</b>	(959)		<b>(3,190)</b>	(3,150)	
<b>EBITDAX</b>	US\$000		<b>(888)</b>	(410)	n/a	<b>(1,990)</b>	4,968	n/a
<b>Cash <sup>1</sup></b>			<b>22,674</b>	23,956	(5%)	<b>22,674</b>	36,177	(34%)
<b>Acquisition, exploration &amp; development expenditure</b>								
Acquisition	US\$000		<b>608</b>	134		<b>1,321</b>	818	
Exploration	US\$000		<b>5,329</b>	3,768		<b>9,160</b>	86	
Development	US\$000		<b>500</b>	(3)		<b>504</b>	2,714	
<b>Total</b>	US\$000		<b>6,437</b>	3,899	65%	<b>10,985</b>	3,618	204%
<b>Production (MMcfe)</b>		<b>W.I.</b>	<b>N.R.I</b>					
<b>Offshore Gulf of Mexico</b>								
Main Pass 18/19 <sup>2</sup>	100%/55%	83.33%/45.83%	-	23		<b>57</b>	180	
Main Pass 270 <sup>3</sup>	22.5%	18.75%		-		-	191	
<b>Onshore/Coastal Louisiana</b>								
Mystic Bayou Field	25%	18.5%	<b>43</b>			<b>43</b>	-	
Jeanerette Field	12.5%	9.0%	<b>80</b>	83		<b>241</b>	-	
Atchafalaya Bay <sup>3</sup>	8%	5.84%	-	-		-	1,099	
<b>Total</b>			<b>123</b>	106	16%	<b>341</b>	1,470	(77%)
<b>Unit revenue/cost analysis per Mcfe (US\$)</b>								
Oil/Condensate per barrel	US\$		<b>38.05</b>	55.82	(32%)	<b>53.83</b>	102.60	(48%)
Gas per Mcf	US\$		<b>2.67</b>	2.70	(1%)	<b>2.79</b>	4.81	(42%)
Average sales price per Mcfe	US\$		<b>3.16</b>	2.93	8%	<b>3.04</b>	5.23	(42%)
Other revenue/(expense) per Mcfe	US\$		<b>0.40</b>	3.65		<b>1.73</b>	1.35	
Lease operating expense per Mcfe	US\$		<b>(1.07)</b>	(1.41)		<b>(1.25)</b>	(1.05)	
GG&A expense per Mcfe	US\$		<b>(9.72)</b>	(9.04)		<b>(9.35)</b>	(2.14)	
<b>EBITDAX per Mcfe</b>	US\$		<b>(7.23)</b>	(3.87)	n/a	<b>(5.83)</b>	3.39	n/a

<sup>1</sup> September 2015 cash includes restricted cash deposits of US\$3.7 million used to guarantee certain future rehabilitation obligations (June 2015: US\$5.3 million; September 2014: US\$5.3 million)

<sup>2</sup> Operated by Petsec Energy

<sup>3</sup> Main Pass 270 and Atchafalaya Bay (Marathon) interests were sold effective 1 January 2014 – production amounts through to the close of the transaction in July 2014 formed part of the purchase price adjustment

### Glossary

Bcfe = billion cubic feet of gas equivalent  
 bopd = barrels of oil per day  
 Mcfe = thousand cubic feet of gas equivalent  
 MMcfe = million cubic feet of gas equivalent  
 TVD = True Vertical Depth

bcpd = barrels of condensate per day  
 bwpd = barrels of water per day  
 MD = Measured Depth  
 MMcpd = million cubic feet of gas per day

boe = barrels of oil equivalent  
 Mcf = thousand cubic feet of gas  
 MMbbl = million barrels  
 TD = Total Depth

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