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**ASX & Media Release**

**Farm-in to onshore New Zealand oil discovery**

**Key Points:**

- MEO executes staged farm-in agreement with Kea Petroleum Plc (AIM: KEA) to onshore New Zealand exploration permit PEP 51153 containing the producing Puka oil accumulation
- Phase I: MEO will earn 30% interest by funding NZ\$4m of a NZ\$5m firm program to:
  - Undertake work overs on Puka-1 and Puka-2 to enhance production
  - Test two intervals in suspended Douglas-1 exploration well to confirm fluid content
  - Drill new well (Puka-3) from existing pad allowing tie-in to production facilities
- Phase II: MEO has option to earn additional 20% interest by funding NZ\$7.5m of an NZ\$9m program designed to progress the Puka field towards full development. Objectives include:
  - Further appraising Puka oil accumulation to quantify resource size
  - Applying horizontal drilling technology to quantify any uplift in productivity/recovery
  - Building a new central well pad to host future central processing facility

MELBOURNE, AUSTRALIA (7<sup>th</sup> April, 2014)

MEO Australia Limited (ASX: **MEO**) advises that its wholly owned subsidiary, MEO New Zealand Pty Limited, has executed a binding agreement with Kea Petroleum Plc (“KEA”, AIM: KEA) whereby MEO will farm into Kea’s 100% owned PEP 51153 exploration permit along the eastern margin of the Taranaki Basin, onshore New Zealand by way of a staged work program. MEO will initially earn a 30% interest by funding NZ\$4m (80%) of a NZ\$5m firm work program. Following the completion of Phase I, MEO has options to acquire Kea’s remaining interest or proceed with a second phase work program to a capped value of NZ\$9m. MEO can elect to increase its interest in the permit to 50% by funding NZ\$7.5m of this program.

PEP 51153 covers an area of 104.4 km<sup>2</sup> and contains the 2012 Puka oil discovery in the Mount Messenger Formation. The discovery wells, Puka-1 and Puka-2, are producing approximately 80 barrels oil per day (bopd) under an extended well test, limited by sub-optimal location and completion constraints. The discovery requires successful appraisal to more fully quantify the resource size and productivity ahead of full field development.

MEO assesses the Puka discovery to contain contingent oil resources of 3.0 million (2C) to 10.1 (3C) million barrels.

The staged work program has been designed to progressively de-risk the project while providing MEO with flexibility to increase its exposure to the project.

Contingent Resources	Equity	Million bbls			Remarks
		1C	2C	3C	
Puka field	100%	0.8	3.0	10.1	MEO internal assessment
MEO net Share	Equity	1C	2C	3C	Remarks
Post Phase I	30%	0.2	0.9	3.0	MEO net share is based on equity earned applied to current resource assessment. No forecast has been made in relation to anticipated changes from proposed activities.
Post Phase II	50%	0.4	1.5	5.1	

**Phase I: NZ\$5m program – existing Puka-1, Puka-2, Douglas-1 and proposed Puka-3**

MEO is funding NZ\$4m of an initial work program capped at NZ\$5m to earn a 30% interest. Any investment over this cap will be at the participating interest level. The program is expected to commence prior to the end of June 2014 and comprises two workovers designed to restore

productive capacity to the existing Puka-1 and Puka-2 wells, testing of the suspended Douglas-1 exploration well using the same workover rig prior to plugging and abandoning the well and drilling a new well, Puka-3, using a dedicated drilling rig.

The workover of Puka-1 and Puka-2 has the potential to double to current production rate of 80 barrels/day. The suspended Douglas-1 exploration well is located some 4.5 km from the two discovery wells at the north eastern limit of the Puka discovery where 2m of oil pay was indicated on logs in the Mount Messenger sands above a possible oil-water-contact. Douglas-1 also tested a deeper objective which encountered good oil shows. Both zones will be tested to confirm fluid compositions prior to permanently plugging and abandoning the well.

A new well, Puka-3 is to be drilled from the existing well pad that hosts the Puka-1 & Puka-2 producing wells together with the production facilities to support extended well testing. Puka-3 will be designed as a deviated well to target a potential reservoir "sweet spot" identified on the recent 3D seismic survey. Subject to receipt of regulatory approvals, Puka-3 will commence drilling before mid year and in the event of success can be brought on line immediately to boost production and cash flow.

At the completion of Phase I, MEO will be entitled to 30% interest in the Puka field production, which the JV partners envisage could increase to approximately 500 bpd in the success case.

### **Phase II: NZ\$9m indicative program, MEO has option to fund NZ\$7.5m to earn extra 20%**

The Phase II program will incorporate the results from Phase I and is considered by MEO to have the potential to further increase production. MEO and Kea have agreed the objectives and the quantum of investment (NZ\$9m) for this phase. The agreed objectives include:

- Acquiring sufficient data for reserves certification and potential full field development
- Applying horizontal drilling technology to determine productivity enhancement and improvement in ultimate recovery
- Drilling to potential reservoir sweet spot(s) identified on 3D seismic data
- Constructing a new well pad in a central location to host future central processing facilities

At its sole election, within 6 months of completing Phase I, MEO can elect to increase its participating interest to 50% of the project by funding NZ\$7.5m of the indicative Phase II work program. In the event the program is prematurely terminated, MEO's participating interest will be adjusted in proportion to its funding contribution to that point.

Both work program phases are designed to move the discovery towards full field development in 2016 by reducing uncertainties in relation to resource size and recovery. To this end, the outcome of appraisal drilling will help calibrate the 3D seismic to increase confidence in locating future wells.

The Puka field appears to be well suited to exploitation using horizontal drilling technology, which to date has not been widely applied in this region. Successful application of this technology has the potential to materially improve the economics of any full field development by enhancing production rates and improving oil recovery.

### **MEO's CEO and MD Jürgen Hendrich commented on the announcement:**

*"This transaction secures a project capable of delivering operating income to sustain the Company while we continue to pursue organic growth through a combination of exploration success and by monetising our Tassie Shoal projects. New Zealand features an attractive fiscal regime, designed to attract foreign investment. PEP 51153 containing the Puka oil discovery is located in the Taranaki Basin, New Zealand's premier hydrocarbon province. Kea's technical and management teams have a demonstrable exploration and operational track record in New Zealand, with a proactive, consultative approach to community engagement. We are delighted to be working with Kea to unlock the significant potential at Puka and within the exploration permit."*

**Jürgen Hendrich**

Managing Director & Chief Executive Office

**Staged farm-in to onshore NZ permit**

## Summary

On 7<sup>th</sup> April 2014 MEO Australia Limited announced that its wholly owned subsidiary, MEO New Zealand Pty Limited (“MEO”), had executed binding agreements with KEA Petroleum PLC (“Kea”) for a staged farm-in to Kea’s 100% owned PEP 51153 exploration permit in the Taranaki Basin, onshore New Zealand.

**Contains oil discovery with two producing wells**

## Existing Production

PEP 51153 covers an area of 104.4 km<sup>2</sup> and contains the 2012 Puka oil discovery in the Mount Messenger formation. The discovery wells, Puka-1 and Puka-2 (drilled 2013), are producing approximately 80 barrels oil per day (bopd) under an extended well test, limited by sub-optimal location and completion constraints. The Puka discovery requires successful appraisal to more fully quantify the resource size and productivity ahead of full field development.

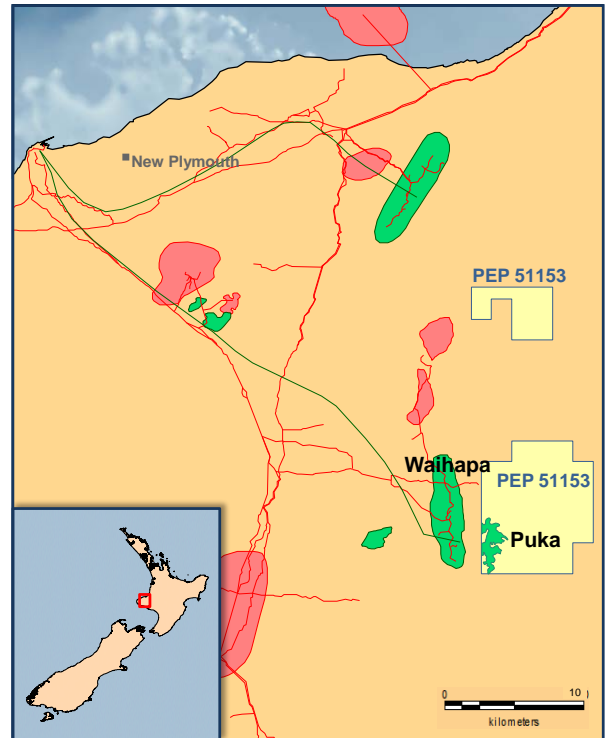


Figure 1. Location Map

## Puka Field Contingent Resources

MEO assesses the Puka discovery to contain contingent resources of 3.0 million (2C) to 10.1 (3C) million barrels oil.

**Contingent oil resources**  
3MMstb (2C)  
10.1MMstb (3C)

Gross Contingent Resources (MMstb)		
1C	2C	3C
0.8	3.0	10.1

MEO Net Share	
Post Phase I	Post Phase II
30%	50%

A staged farm-in work program has been designed to progressively de-risk the project by increasing confidence in resource size and productivity without MEO being over-committed in the event that early results yield discouraging results.

## Phase I Farmin work program

MEO is farming in to the permit by way of a staged work program. Phase I involves MEO earning an initial 30% interest by funding NZ\$4m of an initial work program capped at NZ\$5m. Any investment over this cap will be at the participating interest level. The program is expected to commence prior to the end of June 2014 and comprises two workovers designed to restore productive capacity to the existing Puka-1 and Puka-2 wells, testing of the suspended Douglas-1 exploration well using the same workover rig prior to plugging and abandoning the well and drilling a new well, Puka-3, using a dedicated drilling rig.

**MEO earning 30% by funding NZ\$4m**



Figure 2. Existing Puka A well pad (Puka-1 & Puka-2).

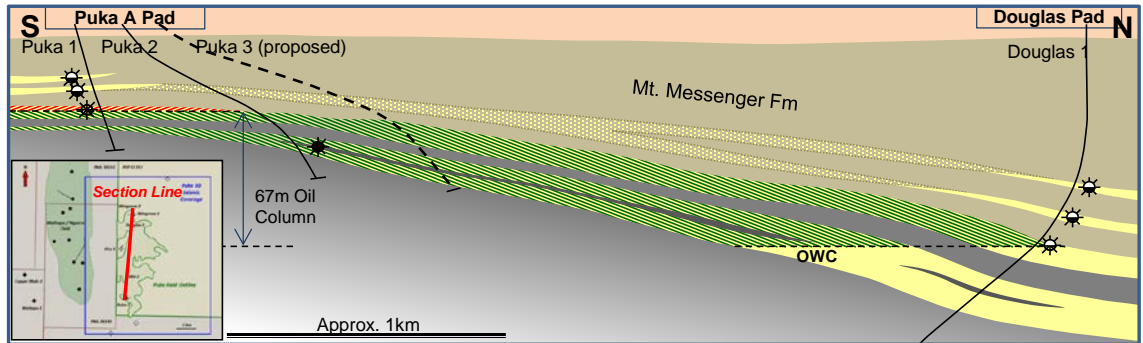
**Workovers to increase production and test suspended well for fluid content**

The workover of Puka-1 and Puka-2 has the potential to double to current production rate of 80 barrels/day. The suspended Douglas-1 exploration well is located some 4.5 km from the two discovery wells at the north eastern limit of the Puka discovery where 2m of oil pay was indicated on logs in the Mount Messenger sands above a possible oil-water-contact. Douglas-1 also tested a deeper objective which encountered good oil shows. Both zones

will be tested to confirm fluid compositions.

**Additional well to test “sweet spot”**

A new well, Puka-3, will be designed as a deviated well to target a potential reservoir “sweet spot” identified on the recent 3D seismic survey. Subject to receipt of regulatory approvals, Puka-3 will commence drilling around mid-year and in the event of success can be brought on line immediately to boost production and cash flow.



**Figure 3. Indicative cross section of Puka field showing existing wells and proposed Puka-3 well path.**

At the completion of Phase I, MEO will be entitled to 30% interest in the Puka field production, which the JV partners envisage could increase to approximately 500 bpd in the success case.

**Phase II Farmin work program**

Within 6 months of completing Phase I MEO, at its sole election, can elect to increase its participating interest to 50% of the project by funding NZ\$7.5m of the indicative Phase II work program.

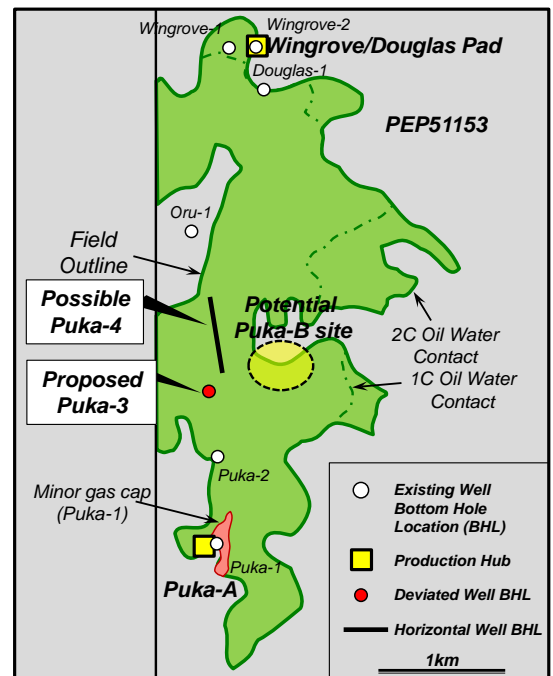
**Option to increase equity to 50% by funding NZ\$7.5m**

MEO and Kea have agreed the quantum of investment (NZ\$9m) and objectives for this phase including:

- Acquiring sufficient data for reserves certification and potential full field development
- Applying horizontal drilling technology to determine productivity enhancement and improvement in ultimate recovery
- Drilling to potential reservoir sweet spot(s) identified on 3D seismic data
- Constructing a new well pad in a central location to host future central processing facilities

**Program to test benefits of horizontal well**

**Targeting full field development by 2016**



**Figure 4. Puka field map showing existing and proposed well locations.**

Both work program phases are designed to move the discovery towards full field development in 2016 by reducing uncertainties in relation to resource size and recovery.

Successful application of horizontal drilling technology has the potential to materially improve the economics of any full field development by enhancing production rates and improving oil recovery.

**Contacts** - For more information regarding this farm-in, please contact:

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