

ASX Announcement  
2 April 2014

## Update on Stunsail-1 Oil Discovery

Drillsearch Energy Limited (ASX: DLS) is pleased to announce detailed results from the Stunsail-1 oil discovery in PEL 91 on the Western Flank Oil Fairway of the Cooper Basin, which was announced to the ASX on 28 March 2014. Drillsearch owns 60% of PEL 91. Beach Energy, the operator, owns the remaining 40%.

The Stunsail-1 well, located 16 kilometres northeast of the Bauer field in PEL 91 and 14 kilometres southwest of the Growler field (Senex 60%, Beach 40%), exceeded expectations by encountering both a thicker oil column at the main target level and discovering multiple hydrocarbon bearing zones. The well intersected the McKinlay/Upper Namur pool at a depth of 1,410 metres (measured depth) with a ten-metre gross oil column (7.8 metres net), six metres gross (5.5 metres net) of which was within the highly productive Namur Sandstone. A five-metre gross oil column (4.7 metres net) was also penetrated in the Mid-Namur at a depth of 1,445 metres (measured depth).

Additional oil shows were encountered in the deeper Birkhead Formation, with two intervals tested. The first drill stem test (DST) tested a gross 15-metre section (4 metres net), at a top depth of 1,709 metres (measured depth), and recovered 46 barrels of oil and three barrels of filtrate over a four-hour period, equating to a test rate in excess of 250 barrels of oil per day. The second DST tested a gross 11.5-metre section, with a top depth of 1,652 metres (measured depth) and recovered only water.

Following completion of the two DSTs, Stunsail-1 has been cased and suspended as a future oil producer.

### Conceptual Development Plan

#### *McKinlay-Namur Analysis*

Under the new ASX reserves reporting guidelines, upon declaration of reserves for any hydrocarbon accumulation, a conceptual commercial development plan must be provided relating to that discovery.

Drillsearch has a high degree of confidence in the commercial productivity of the McKinlay-Namur reservoirs at Stunsail-1, which are directly analogous to 11 other discoveries in PEL 91, including Bauer, the largest oil discovery on the Western Flank. In total, 12 wells are currently producing from the McKinlay-Namur across the Bauer, Chiton and Hanson fields in PEL 91 and these have all been used as analogues for possible production from Stunsail-1. Drillsearch has carried out a preliminary economic evaluation of the project using costs based on analogous projects and the company's reference oil price assumptions to confirm its commercial viability.

Using a conceptual development plan based on the facilities used at Chiton, the first oil discovery in PEL 91, and subject to joint venture approval, Drillsearch believes that Stunsail-1 could be developed using a standalone production facility with oil being exported from the field by truck. However, increased reserves defined by appraisal drilling or additional exploration success in the proximity of Stunsail-1, could lead to this discovery being developed in conjunction with other fields in the region through a pipeline to the other facilities within PEL 91.

The PEL 91 Joint Venture has previously developed two standalone facilities within the permit, namely Chiton and Hanson. Pending formal approval to proceed, a standalone development of Stunsail-1 may take 6-12 months from development approval to first oil, and cost around \$3.5 million to implement, with production from these standalone developments typically running at around 1,000 barrels a day. The PEL 91 Joint Venture is still to determine the optimal timing of any additional exploration, appraisal or development activity in the Stunsail-1 area.

Using a standalone development model, Drillsearch has estimated preliminary gross undeveloped reserves as at 31 March 2014, based on SPE-PRMS definitions and guidelines, from the McKinlay and Upper and Mid-Namur reservoirs, with a best estimate (2P) of 0.67 mmbbls, a low estimate (1P) of 0.23 mmbbls and a high estimate (3P) of 2.06 mmbbls (Drillsearch share of the above estimates is 60%).

Preliminary petroleum reserves have been estimated for each reservoir level using probabilistic methods based on analogy with the Bauer field where ten wells are commercially producing oil. The areal configuration of the Stunsail McKinlay and Namur structure is based on interpretation and mapping of the Aquillus and Caseolus 3D seismic volumes, whilst the oil column heights are defined from the Stunsail-1 wireline log analysis. The range of input petrophysical parameters has been derived following comparison of the Stunsail-1 data to analogous reservoirs at Bauer. Based on this analysis, Drillsearch has concluded that the reservoir is capable of commercial production.

#### *Birkhead Analysis*

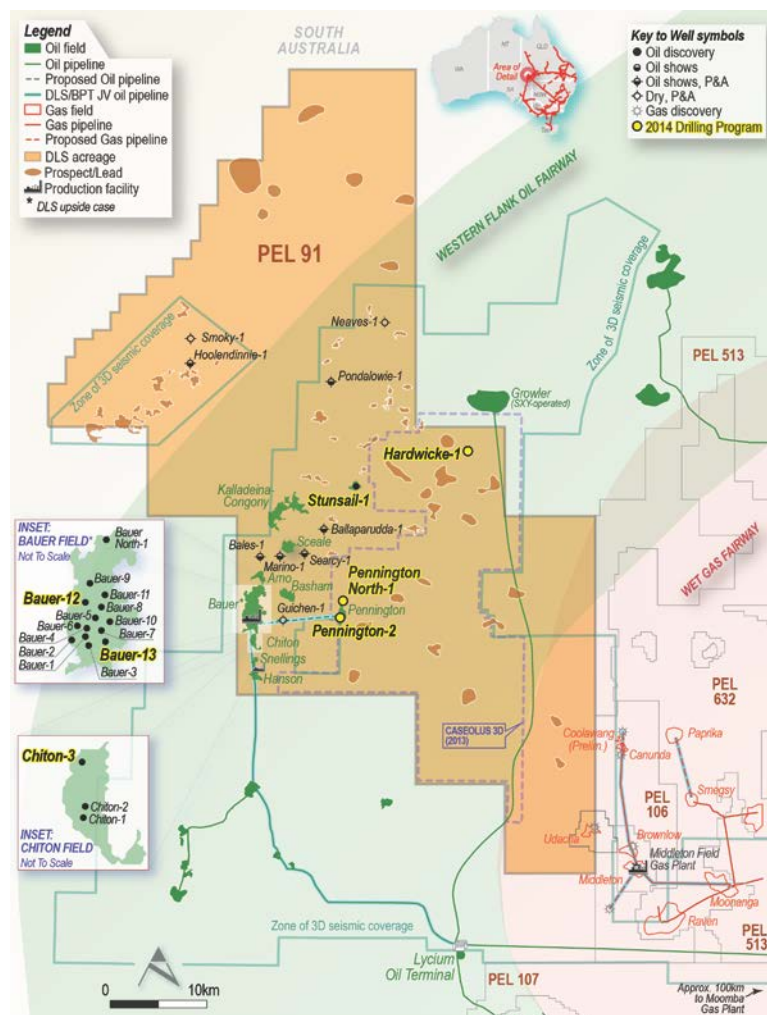
In addition to the McKinlay-Namur, Drillsearch also considers that, based on the initial results of Stunsail-1, the lower Birkhead reservoir has a good chance of development. The DST-1 result and seismic mapping of the structure support that a significant oil pool has been discovered in the Birkhead Formation. The Birkhead Formation is a significant oil producing interval at the Growler field to the northeast.

Based on the DST-1 result and our mapping of the structure, Drillsearch concludes that moveable hydrocarbons have been demonstrated and that a Birkhead discovery has been made.

Reservoir analysis of the Birkhead Formation in the nearby wells and fields suggests some uncertainty around reservoir continuity and connectivity which needs to be resolved with production testing, further delineation and appraisal drilling. Accordingly, Drillsearch currently classifies the Birkhead oil pools as contingent resources. Drillsearch's estimate for gross contingent resources from the lower Birkhead reservoir is a best estimate (2C) of 0.23 mmbbls (Drillsearch share 60%), with a low estimate (1C) of 0.04 mmbbls and a high estimate (3C) of 1.29 mmbbls.

Preliminary contingent resources have been estimated for the lower Birkhead reservoir using probabilistic methods based on analogy with both the Bauer and Growler fields where several wells are commercially producing oil. The structural definition of the lower Birkhead pool at Stunsail-1 is based on interpretation and mapping of the Aquillus and Caseolus 3D seismic volumes and the range of input petrophysical parameters has been derived from the Stunsail-1 wireline log analysis.

The extensive oil shows and oil flow from the Birkhead sandstones in Stunsail-1 confirm the potential for significant oil accumulations in structural and stratigraphic traps within the Birkhead Formation in PEL 91. Detailed mapping of the 3D seismic is continuing to pursue the upside oil potential of Birkhead stratigraphic plays in this region.



## Next Steps

In line with company policy, this preliminary reserves and resources estimate is subject to independent verification, with Drillsearch's next reserve audit to take place on 30 June 2014.

Following the completion of operations at Stunsail-1, the Ensign 930 rig will move to drill the next exploration well in the current PEL 91 campaign, Hardwicke-1, which is located to the east of Stunsail-1. The results of Stunsail-1, Bauer-12, Bauer-13 and Chiton-3 are all expected to be reflected in Drillsearch's 30 June 2014 Reserves Update.

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**About Drillsearch:**

Drillsearch Energy Limited (ASX: DLS) is one of the leading mid-tier oil and gas companies listed on the ASX. The company has undergone rapid growth over the past five years to become Australia's third-largest onshore oil producer, and one of the largest acreage holders in the prolific Cooper Basin. Drillsearch has assets that span the exploration, development and production continuum within Oil, Wet Gas and Unconventional. Its operations are highly profitable, and its work programs are fully funded from internal cash flow through FY2016. Drillsearch has successfully formed a number of key strategic alliances with leading players in the Australian and international exploration and production industry, including QGC, Santos Limited and Beach Energy Limited.

**Qualified Petroleum Reserves and Resource Evaluator Requirements**

The information in this report that relates to Reserves and Resources is based on information compiled by Mr Neil Thompson, General Manager Exploration and Development at Drillsearch. Mr Thompson is a Qualified Petroleum Reserves and Resources Evaluator and a Member of the American Association of Petroleum Geologists. Mr Thompson is a full-time employee of the company. This information has been reviewed by independent and certified reservoir auditors RISC for ASX compliance. Mr Thompson has sufficient experience that is relevant to the Company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Thompson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.