

## Senex agrees Surat Basin gas asset swap with QGC

Release Date: 10 September 2014

**Senex Energy Limited (Senex) today announced it has agreed a Surat Basin gas asset swap with the PL 171 and ATP 574P joint venture partners (QGC JV)<sup>1</sup>.**

Under the terms of the Tenement Transfer Agreement, Senex will transfer its minority interest in eastern Surat Basin permits PL 171 and ATP 574P<sup>2</sup> (**Senex permits**) to the QGC JV and the QGC JV will transfer its 100% interest in, and Operatorship of, western Surat Basin permits ATP 795, ATP 767 and ATP 889<sup>2</sup> (**QGC JV permits**) to Senex. No cash consideration is payable by any party in respect of the tenement transfers.

The QGC JV permits are adjacent to Senex's existing western Surat Basin assets ATP 771P and ATP 593P and form the basis of the **Western Surat Gas Project** (refer map at Appendix 1). On completion of the transaction, Senex will hold net 2P gas reserves of 488 petajoules (PJ)<sup>3</sup>.

Commenting on the transaction, Senex Managing Director Ian Davies said the asset swap was mutually beneficial and positioned Senex as part of the solution to the looming gas shortage in domestic and export markets.

"This is a win-win transaction. Combining the QGC JV's western Surat Basin assets with our own western Surat Basin acreage gives Senex the scale required to build a material Surat Basin gas business on our own terms. The arrangement also enables QGC and its partners to focus on the eastern Surat assets to the benefit of the greater QCLNG project.

"Senex will invest up to \$40 million from existing financial resources in the Western Surat Gas Project over the next three years, targeting commencement of pilot testing in 2015/16 and moving to an investment decision on commercial production as soon as appraisal results support it.

"This transaction is a perfect example of our growth strategy in action. The new project leverages the strengths and capabilities of our thriving business in the South Australian Cooper Basin while adding a material gas project to our portfolio," he said.

Completion of the transaction is expected by 14 December 2014 and is conditional on Foreign Investment Review Board, Queensland Government, and other regulatory approvals.

### **ANALYST BRIEFING AT 11:30am AEST ON WEDNESDAY 10 SEPTEMBER 2014**

Senex Executive General Manager Strategic Planning Julie Whitcombe and Chief Operating Officer Craig Stellan will hold a briefing for analysts on this transaction today at 11:30am AEST. The teleconference will be streamed live via the Senex page on the Open Briefing website:  
<http://www.openbriefing.com/OB/1539.aspx>

<sup>1</sup> QGC Pty Limited (**QGC**), Tokyo Gas (**TG**) and China National Offshore Oil Company (**CNOOC**)

<sup>2</sup> Including Petroleum Lease Applications (**PLAs**) and Potential Commercial Area Applications (**PCAAs**)

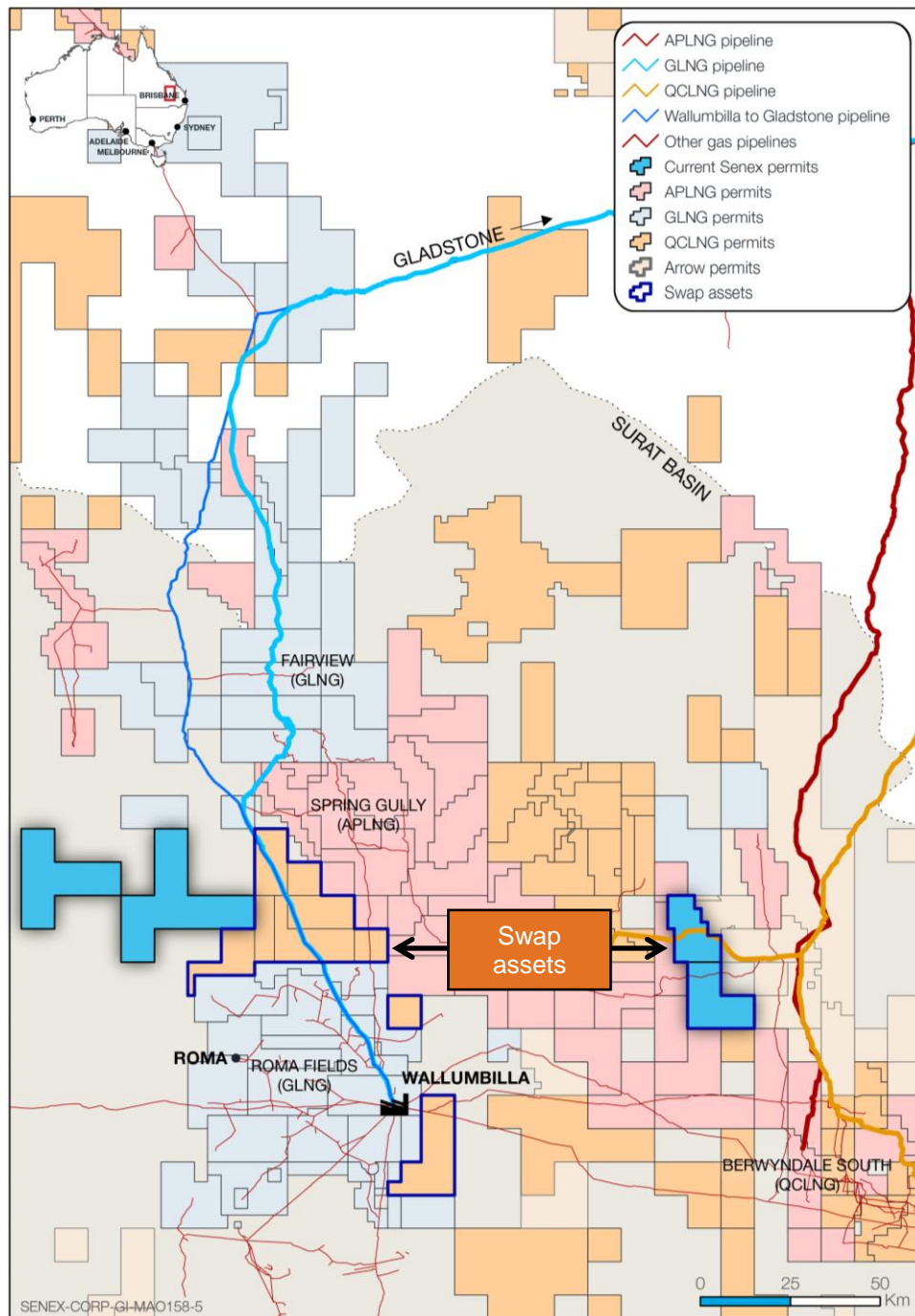
<sup>3</sup> 83 million barrels of oil equivalent. 5.880 PJ = 1 mmboe. Quoted reserves exclude adjustments for fuel and shrinkage. Refer Appendix 2 for reserves supporting information

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**Appendix 1: Senex and QGC JV Surat Basin gas permit locations**



## Appendix 2: Reserves supporting information

### Qualified petroleum reserves and resource evaluator statement

Information about Senex's reserves and resources estimates has been compiled in accordance with the definitions and guidelines in the 2007 SPE PRMS. The information is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Dr Steven Scott BSc (Hons), PhD, who is General Manager Coal Seam Gas, and has consented to the inclusion of this information in the form and context in which it appears. Dr Scott is a qualified petroleum reserves and resources evaluator, a member of the American Association of Petroleum Geologists, a certified petroleum geologist (P.G. 6218) and a full time employee of Senex.

### Scope and method

Commerciality of the project was determined through a detailed feasibility evaluation underpinned by a conceptual development plan and using cost structures of analogous commercial projects as well as internal modelling based on both publicly available data in respect of the Queensland gas market and coal seam gas industry and cost structures of existing Senex business activities. The economic parameters assumed are reasonable having regard to current and anticipated conditions in the Queensland gas market with demand surging next year as a result of LNG export facilities being completed and available supply forecast to be insufficient to meet that demand. Commercial producibility has been confirmed on the basis of geological and geophysical data retrieved from over 120 exploration and appraisal wells that have been drilled across the project area (2,235 km<sup>2</sup>), results of drill stem testing in nearly half of those wells and the results of short term testing undertaken on three small scale pilots. Standard engineering and geoscience methods including volumetric analysis and analogy comparisons were the analytical procedures used to estimate the petroleum reserves in this announcement. The petroleum reserves are based on estimates of reservoir volumes and recovery efficiencies along with analogy comparisons to properties with similar geologic and reservoir characteristics. The Western Surat Gas Project adjoins the GLNG and APLNG projects, which are both currently being developed and for which analogue data was available.

The proposed extraction method is through standard vertical production wells that will use steel casing and be cemented in place. No specialised processing following extraction is anticipated beyond that ordinarily required for coal seam gas production. Dewatering will, of course, be required as with most coal seam gas production. The deterministic method was used to prepare the reserves estimates. The method of aggregation used in calculating estimated reserves was arithmetic summation by category of reserves. Due to the portfolio effects of arithmetic summation, the aggregate 1P estimate may be very conservative and the aggregate 3P estimate very optimistic. The reference point for assessing and measuring estimated reserves is the Wallumbilla gas hub, approximately 45 kilometres south east of Roma, Queensland. All reserves estimates in this announcement are classified as undeveloped petroleum reserves. 1P reserves are zero for all of the reported estimates in this announcement due to the current status of development and production. In the absence of 1P reserves, 2P reserves have been determined and reported. This is reasonable having regard to the testing undertaken in core, exploration and appraisal wells drilled in the project, proximity to other coal seam gas wells in the area and the reasonable expectation of development considering existing market conditions and infrastructure in the surrounding area.

The Western Surat Gas Project is currently in an advanced exploration phase with preliminary field development plans prepared. Development is anticipated within the next five years following completion of appraisal testing and refinement and approval of the final field development plan. The project is crossed by both the Wallumbilla to Gladstone pipeline and the Comet Ridge to Wallumbilla pipeline and, as noted above, adjoins two developing projects that will be supplying coal seam gas as feedstock for Liquefied Natural Gas (LNG) plants. It is expected that commercialisation options will exist both with adjoining projects needing to secure additional supply for LNG production and into the domestic market based on continuing forecast of demand growth. Environmental Authorities are currently in place over the permits, and these will require amending as the project proceeds through appraisal and development and as activity levels increase.

Dr Steven Scott is the qualified petroleum reserves and resources evaluator for the reserves estimates in this announcement. The evaluation date for the reserves estimates is 30 June 2014. Senex also engaged two qualified external parties to independently assess those estimates: MHA Petroleum Consultants, LLC (MHA) and Netherland, Sewell and Associates, Inc (NSAI). Both MHA and NSAI have reviewed all of Senex' technical data and the methods used to collect this data and consider them reasonable. Neither MHA or NSAI, have any financial interest, including share ownership, in Senex. Fees paid to MHA and NSAI were not contingent on the results of their review of the reserves and resources estimates.