
2016 Reserves and Resources Statement

16 February 2017

Highlights

- At 31 December 2016, Oil Search's total proved and probable (2P) oil reserves and 2C contingent oil resources were 124.0 million barrels (mmbbl) and the Company's total 2P gas reserves and 2C contingent gas resources were 6,134 billion cubic feet (bcf).
- During the year, Netherland, Sewell & Associates, Inc. (NSAI) assessed resources in all PNG LNG Project fields. NSAI's assessment of estimated ultimate recoveries (EUR), before allowance for historical production, fuel and flare, shrinkage and economic limit, has added 3.5 tcf and 2.3 tcf to the Project's gross resource base on a 1C and 2C basis, respectively, compared to their previous certification in 2009. On a 2C basis, the gross EUR has increased 25%, to 11.5 tcf.
- Based on these results and using Oil Search's corporate assumptions to define economic limits, Oil Search's total proved (1P) PNG LNG Project gas reserves have increased by 50%, to 2,137 bcf, and the Company's 2P PNG LNG Project gas reserves have risen by 12%, to 2,406 bcf.
- 26% of the Company's increase in PNG LNG Project 1P reserves and 41% of the 2P reserves increase derive from the Associated Gas fields, in particular Kutubu, Agogo and Moran.
- Oil Search's 2C contingent gas and condensate resources at the Elk-Antelope fields in PRL 15 have increased by 254 bcf and 13 mmbbl, respectively, following appraisal activities and an extensive technical assessment of the resource during the year. Together with P'nyang and other discovered undeveloped resources in PNG, this takes Oil Search's total 2C contingent gas resources to 3,709 bcf and 2C oil and condensate to 48 mmbbl, a substantial part of which has a high probability of being developed.
- The relinquishment of the Taza licence in Kurdistan and the surrender of the Block 7 licence in Yemen have resulted in the removal of 21.9 mmbbl of oil and 6.3 bcf of gas contingent resources from the 2C category.
- Based on 2016 production of 30.24 mboe, Oil Search has a 1P reserves life of 16 years, a 2P reserves life of 18 years and a 2P reserves and 2C resources life of 44 years.

Commenting on the 31 December 2016 Reserves and Resources Statement, Oil Search's Managing Director, Mr Peter Botten said:

“The major lift in gas reserves and resources reported at the end of 2016 is an excellent result and has been achieved after taking into account record production for the year of 105.8 bcf. The increase in proved gas reserves at the PNG LNG Project is particularly significant for Oil Search and our co-ventures, as the Project only contracts 1P reserves. At present, 6.6 MTPA of LNG is sold under long term contract, while the Project is operating sustainably at rates above 8 MTPA. The increase in 1P reserves, which equates to 2.8 tcf on a gross basis, will provide the co-venture the potential to explore market opportunities to contract this material additional production, which is currently being sold on the spot market.

Following the recent successful appraisal campaign at Antelope, we have reassessed our reservoir models for the Elk-Antelope fields in PRL 15. This has led to a 254 bcf, or 21%, increase in our share of Elk-Antelope 2C contingent gas resources, to 1,473 bcf, with 13 mmbbl of condensate. On a gross basis, Oil Search’s gas volume of 6.5 tcf raw gas for Elk-Antelope is in line with those recently certified by NSAI (6.1 tcf raw gas) and Gaffney, Cline & Associates (6.9 tcf).

Together with 2C contingent resources at P’nyang of 1,348 bcf (equivalent to 3.5 tcf dry gas on a gross basis), we hold very significant volumes of undeveloped gas resource, which we believe is more than sufficient to underpin at least a two train LNG expansion.

At this stage, we have not assessed the potential resource size of our latest gas discovery, Muruk 1, as insufficient data is presently available and a fast-tracked appraisal programme is currently underway. However, indications to date suggest no reasons why our pre-drill estimate, that Muruk could contain potential resources of 1 – 3 tcf, should be changed.

Today’s Reserves and Resources Statement reinforces the fact that the PNG LNG Project has a world class resource, which can support the Project’s high performing plant at its expanded rates, and that we have the ability to expand PNG’s LNG industry, underpinned by a large, high quality discovered developed and undeveloped resource base.”

PETER BOTTEN, CBE

Managing Director

16 February 2017

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Oil and gas reserves

At 31 December 2016, the Company's proved reserves (1P) were 62.3 mmbbl of oil and condensate and 2,150.7 bcf of gas. 2P reserves were 75.7 mmbbl of oil and condensate and 2,424.9 bcf of gas.

The key changes in 1P and 2P reserves since 31 December 2015, which are summarised in Tables 1 and 2, are as follows:

PNG LNG Project

- During the year Netherland, Sewell & Associates, Inc. (NSAI) were engaged by the PNG LNG Project Operator, ExxonMobil, to assess resources in all Project fields, taking into account the significant development and production activity which has occurred since their last detailed field certification in 2009. Oil Search participated extensively in the recertification exercise and assisted the certifier specifically with the assessment of the Associated Gas fields.
- For each field, NSAI assessed original gas-in-place (OGIP) and estimated ultimate recoveries (EUR) to subsequently determine the portfolio OGIP and EUR estimates. Field production performance, well deliverability and compositional modelling were also considered. An independent flow stream model was used to determine probabilistic production forecasts.
- NSAI's assessment of estimated ultimate recoveries (EUR), before allowance for historical production, fuel and flare, shrinkage and economic limit, has added 3.5 tcf and 2.3 tcf to the Project fields' resource base on a 1C and 2C basis, respectively, compared to their previous certification in 2009. On a 2C basis, this corresponds to a gross EUR of 11.5 tcf.
- Oil Search has elected to use the estimates from NSAI's recertification of PNG LNG resources as the basis for the Company's 2016 Reserves and Resources Statement. Resource estimates, after historical production and allowance for fuel, flare and shrinkage, have been adjusted for economic limit using Oil Search's corporate assumptions, which include sensitivities to upside and downside price forecasts. On this basis, the Company's share of PNG LNG 1P reserves has increased by 50%, as shown in Table 2. Contributions to this outcome derive from both the gas and associated gas (AG) fields, with the AG fields (operated by Oil Search) contributing 26% of the overall increase. The increase in gas reserves has resulted in an associated increase in 1P Project condensate of 13.3 mmbbl, largely due to the additional gas reserves at Hides.
- On a 2P basis, PNG LNG gas reserves have increased by 352.8 bcf or 12%, as shown in Table 2. The AG fields have contributed 41% of the overall increase. Prior to 2016, Oil Search's PNG LNG Project reserve bookings in the 1P category were based on NSAI estimates, while the 2P reserve bookings were based on a combination of NSAI, PNG LNG Project operator estimates and internal assessments. Consequently, as part of the reserves migration process, the changes in 1P reserves are proportionally higher than the changes in 2P reserves.
- In the 2P category, PNG LNG oil and condensate reserves have decreased by 3.0 mmbbl, principally as a result of changes in forecast gas and associated liquids production in some of the fields together with some minor changes related to processing conditions in the plant.

Other

- Reserves at 31 December 2015 have been adjusted for record net production in 2016 of 8.5 mmbbl of oil and condensate and 105.8 bcf of gas¹.

¹ Note that these production figures are based on Oil Search's net 16.67% share of PDL 1 Hides GTE production.

- There have been no changes to the Estimated Ultimate Recoveries (EUR) for oil in the Moran, Kutubu complex and Gobe oil fields. Remaining reserves in both the 1P and 2P categories reflect the year-end 2015 position less 2016 production volumes.

Developed and undeveloped reserves are shown in Table 3. Undeveloped gas and condensate reserves are related to the PNG LNG Project, where the construction of additional infrastructure is required prior to the commencement of gas export, consistent with the approved development plan. Undeveloped oil reserves are largely associated with future development drilling in producing oil fields.

Contingent resources

At the end of 2016, the Company's 2C contingent resources comprised 3,709.2 bcf of gas, up from 3,610.0 bcf at the end of 2015, and 48.3 mmbbl of oil and condensate, down from 57.1 mmbbl.

The key changes in 2C contingent resources since 31 December 2015, which are summarised in Tables 1 and 2, are as follows:

- The addition of 253.9 bcf of gas and 13.1 mmbbl of condensate at PRL 15, which reflects the Company's revised best technical estimate of resources in the Elk and Antelope fields. The reported volumes now differentiate between dry gas and condensate and reflect gross field reserves of 6.45 tcf dry gas and 57.4 mmbbl condensate (or 6.53 tcf raw gas, up from 5.3 tcf in the previous booking). The reported volumes are consistent with those recently certified by NSAI (6.06 tcf raw gas) and Gaffney, Cline & Associates (6.88 tcf) (see below for further details).
- A reduction of 148.4 bcf in PNG LNG gas as a result of the movement of 2C volumes into the 2P category.
- A reduction of 20.3 mmbbl oil and 6.3 bcf gas net entitlement at Taza following the relinquishment of the licence.
- A reduction of 1.6 mmbbl bcf oil at Al Measher-1 following the surrender of the Yemen Block 7 licence.

Note that resource estimates for the recent gas and condensate discovery at the Muruk 1 exploration well have not been stated. This is because drilling operations at the Muruk 1ST1 well are still underway and further appraisal activity is likely to take place over the coming months. More information will be provided once this initial phase of appraisal drilling and data analysis has been completed.

Reserves and resources

As highlighted in Table 4, at the end of 2016, Oil Search's total 2P oil and condensate reserves and 2C contingent resources were 124.0 mmbbl and the Company's total 2P gas reserves and 2C contingent resources were 6,134.1 bcf.

Elk-Antelope, PRL 15 – increase in booked 2C contingent resource

1,219.4 bcf raw gas was previously booked in the 2C contingent resource category relating to Oil Search's 22.835% economic interest in Petroleum Retention Licence 15 (PRL 15) in the Gulf Province of PNG, which contains the Elk-Antelope gas fields.

In December 2016, a five year extension to the retention lease, first granted in November 2010, was granted by the PNG Government. Following additional drilling and testing, an extensive technical assessment of the resource has been undertaken using the following information gained from the continuing appraisal programme:

- Data from formation logging and stratigraphy encountered in new wells
- Updated structural mapping and geological interpretation
- Drill stem, interference and injectivity testing from several Antelope wells
- Core analysis, including SCAL, to constrain reservoir parameters
- Reservoir modelling (geological and simulation) which incorporates revised depositional and diagenetic models and petrophysical interpretation, and allows an assessment of the key uncertainties which impact resource estimates.

On the basis of this study, contingent resource volumes have been assessed by combining in-place volume estimates from geological modelling with recovery estimates from simulation modelling. A combination of deterministic and probabilistic methods has been used.

This has resulted in the addition of 253.9 bcf of gas and 13.1 mmbbl of condensate to the 2C contingent resource estimate for the field. The reported volumes now differentiate between dry gas and condensate and reflect gross field reserves of 6.45 tcf gas and 57.4 mmbbl condensate (or 6.53 tcf raw gas, up from 5.3 tcf in the previous booking). The reported volumes are consistent with those recently certified by NSAI (6.06 tcf raw gas) and Gaffney, Cline & Associates (6.88 tcf).

The Elk-Antelope resources are considered to be contingent on a number of factors, including additional appraisal drilling and technical studies, the confirmation of a commercially viable development project, acceptable project financing and the negotiation of, and commitment to, future LNG contracts.

Governance and 2017 Audit Plan

The governance arrangements for the reporting of hydrocarbon reserves and resources are based on Oil Search's Reserves Management and Audit Process (RMAP), which consists of the following:

- A Technical Reserves Committee (TRC) which assesses all proposed changes and additions to the Company's reserves and resources database, utilising advice and contributions from peer review and subject matter experts, where appropriate.
- The TRC reports to the Reserves Operating Committee (ROC), consisting of senior management from technical and commercial disciplines, for the sanction of changes proposed by the TRC.
- Final statements are subject to review and endorsement by the Audit and Financial Risk Committee prior to approval by the Board.

Oil Fields

Under the Company's Reserves Management and Audit Process, oil fields are subject to independent audit every three years, or alternative intervals under some circumstances (for example, where any anticipated changes may or may not be material). The Gobe fields were audited at year-end 2015 by independent auditor, NSAI. The Kutubu and Moran oil fields were audited in 2014, also by NSAI.

PNG LNG Project

Given that the PNG LNG Project resources were audited in 2016, there is no reason for further audit in 2017.

PRL 3

Gas resources at P'nyang (PRL 3) are expected to be recertified following the drilling of the P'nyang South 2 well proposed for spud in 2017.

PRL 15

Two independent audits of the resources at Elk-Antelope were undertaken by NSAI and GCA in 2016 as part of the First PAC Certification. The Second PAC Certification will occur one year after delivery of the first commercial LNG cargo.

TABLE 1: 2016 oil and condensate reserves and resources reconciliation with 2015
Proved oil and condensate reserves (million barrels)

Licence/Field	End 2015 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 Reserves
PDL 2 - Kutubu	15.4	3.3	-	-	12.1
PDL 2/5/6 - Moran Unit	8.6	1.6	-	-	7.0
PDL 4 - Gobe Main	0.1	0.0	-	-	0.0
PDL 3/4 - SE Gobe	0.2	0.1	-	-	0.2
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	33.2	3.5	13.3	-	43.1
Total	57.5	8.5	13.3	-	62.3

Proved and Probable oil and condensate reserves (million barrels)

Licence/Field	End 2015 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 Reserves
PDL 2 - Kutubu	20.0	3.3	-	-	16.7
PDL 2/5/6 - Moran Unit	12.2	1.6	-	-	10.6
PDL 4 - Gobe Main	0.1	0.0	-	-	0.1
PDL 3/4 - SE Gobe	0.3	0.1	-	-	0.3
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	54.5	3.5	(3.0)	-	48.0
Total	87.2	8.5	(3.0)	-	75.7

2C Contingent oil and condensate resources (million barrels)

Licence/Field	End 2015 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 2C Resources
PNG LNG Project oil and condensate	1.7		0.0		1.6
Other PNG oil and condensate	33.6		13.1		46.7
Middle East oil and condensate	21.9			(21.9)	
Total	57.1		13.1	(21.9)	48.3

TABLE 2: 2016 gas reserves and resources reconciliation with 2015
Proved gas reserves (billion standard cubic feet)

Licence/Field	End 2015 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 Reserves
PDL 2 - Kutubu	-	-	-	-	-
PDL 2/5/6 - Moran Unit	-	-	-	-	-
PDL 4 - Gobe Main	-	-	-	-	-
PDL 3/4 - SE Gobe	13.8	3.1	-	-	10.7
PDL 1 – Hides GTE	4.1	1.0	-	-	3.2
PNG LNG Project	1,423.9	101.8	814.7	-	2,136.8
Total	1,441.8	105.8	814.7	-	2,150.7

Proved and Probable gas reserves (billion standard cubic feet)

Licence/Field	End 2015 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 Reserves
PDL 2 - Kutubu	-	-	-	-	-
PDL 2/5/6 - Moran Unit	-	-	-	-	-
PDL 4 - Gobe Main	-	-	-	-	-
PDL 3/4 - SE Gobe	17.2	3.1	-	-	14.2
PDL 1 – Hides GTE	6.0	1.0	-	-	5.0
PNG LNG Project	2,154.7	101.8	352.8	-	2,405.6
Total	2,177.9	105.8	352.8	-	2,424.9

2C Contingent gas resources (billion standard cubic feet)

Licence/Field	End 2015 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2016 2C Resources
PNG LNG Project Gas	208.3	-	(148.4)	-	60.0
Other PNG Gas	3,395.3	-	253.9	-	3,649.3
Middle East Gas	6.3	-	-	(6.3)	-
Total	3,610.0	-	105.6	(6.3)	3,709.2

TABLE 3: Developed and undeveloped reserves
Developed Reserves

(Net to Oil Search)

Licence / Field	Oil Search Interest	Developed Oil and Condensate ³	Developed Gas ^{4,5}	Developed Oil and Condensate ³	Developed Gas ^{4,5}
	%	mmbbl	bcf	mmbbl	bcf
Reserves		Proved (1P)		Proved and Probable (2P)	
PDL 2 - Kutubu	60.0%	9.3	-	13.7	-
PDL 2/5/6 - Moran Unit	49.5%	4.5	-	7.7	-
PDL 4 - Gobe	10.0%	0.0	-	0.1	-
PDL 3/4 - SE Gobe	22.3%	0.2	10.7	0.3	14.2
PDL 1 – Hides GTE	16.7%	-	3.2	-	5.0
Oil fields and Hides GTE reserves		14.0	13.9	21.8	19.2
PNG LNG Project reserves	29.0%	32.1	1,597.4	35.5	1,764.1
Subtotal developed reserves		46.1	1,611.3	57.2	1,783.3

Undeveloped Reserves

(Net to Oil Search)

Licence / Field	Oil Search Interest	Undeveloped Oil and Condensate ³	Undeveloped Gas ^{4,5}	Undeveloped Oil and Condensate ³	Undeveloped Gas ^{4,5}
	%	mmbbl	bcf	mmbbl	bcf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 - Kutubu	60.0%	2.8	-	3.0	-
PDL 2/5/6 - Moran Unit	49.5%	2.5	-	2.9	-
PDL 4 - Gobe	10.0%	-	-	-	-
PDL 3/4 - SE Gobe	22.3%	-	-	-	-
PDL 1 – Hides GTE	16.7%	-	-	-	-
Oil fields and Hides GTE reserves		5.2	-	5.9	-
PNG LNG Project reserves	29.0%	11.0	539.4	12.6	641.6
Subtotal undeveloped reserves		16.2	539.4	18.5	641.6
Total developed and undeveloped reserves		62.3	2,150.7	75.7	2,424.9

TABLE 4: Total reserves and resources summary
Reserves and resources at 31 December 2016^{1,2}

(Net to Oil Search)

Licence / Field	Oil Search Interest	Total Oil and Condensate ³	Total Gas ⁴	Total Oil and Condensate ³	Total Gas ⁴
	%	mmbbl	bcf	mmbbl	bcf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 - Kutubu	60.0%	12.1	-	16.7	-
PDL 2/5/6 - Moran Unit	49.5%	7.0	-	10.6	-
PDL 4 - Gobe	10.0%	0.0	-	0.1	-
PDL 3/4 - SE Gobe ⁵	22.3%	0.2	10.7	0.3	14.2
PDL 1 – Hides GTE ⁶	16.7%	-	3.2	-	5.0
Oil fields and Hides GTE reserves		19.3	13.9	27.7	19.2
PNG LNG Project reserves⁵	29.0%	43.1	2,136.8	48.0	2,405.6
Subtotal reserves		62.3	2,150.7	75.7	2,424.9
Contingent resources			1C		2C
PNG LNG Project gas, oil and condensate		-	-	1.6	60.0
Other PNG gas, oil and condensate ⁷		-	-	46.7	3,649.3
Middle East gas, oil and condensate ⁷		-	-	-	-
Subtotal resources		-	-	48.3	3,709.2
Total reserves and resources		62.3	2,150.7	124.0	6,134.1

NOTES

- (1) Numbers may not add due to rounding.
- (2) Oil field proved reserves (1P) and proved and probable (2P) reserves are as certified by independent auditor Netherland, Sewell & Associates, Inc. (NSAI) in 2014 and 2015. 1P and 2P PNG LNG Project reserves are based on contingent resources as certified in 2016 by independent auditor, NSAI, adjusted for economic limit using Oil Search's corporate assumptions.
- (3) Crude oil, and separator and plant condensates.
- (4) For the PNG LNG Project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery and fuel and flare.
- (5) PNG LNG Project reserves comprise the Kutubu, Moran, Gobe Main, SE Hedinia, Hides, Angore and Juha fields. Minor volumes associated with proposed domestic gas sales have been included as part of PNG LNG reserves. In addition, third party wet gas sales to the project at the Gobe plant outlet (inclusive of plant condensate) have been included for SE Gobe in 1P and 2P reserves at the post-sales agreement field interest of 22.34%. SE Gobe estimates for gas are based on NSAI certification in 2015.
- (6) Hides reserves associated with the GTE Project under existing contract. Production volumes shown in this reserves report are based on Oil Search's entitlement in PDL 1 (16.67%).
- (7) Other gas, oil and condensate resources comprise the Company's other PNG fields, including Elk-Antelope, SE Mananda, Juha North, P'nyang, Kimu, Uramu, Barikewa, Iehi, Cobra, Mananda and Flinders, and may also include resources beyond the current economic limit of producing oil and gas fields. These gas resources may include fuel, flare and shrinkage depending on the choice of reference point.

The information in this reserves and resources statement has been prepared by Dr Jon Rowse, Oil Search's General Manager – Subsurface, who is a full-time employee of the Company and a member of the Society of Petroleum Engineers. Dr Rowse is

qualified in accordance with ASX Listing Rules 5.41-5.44, and confirms that the statement fairly represents information and documentation which has been prepared under his supervision and approved by him. He has consented to publish this information in the form and context in which it is presented in this statement.

ADDITIONAL NOTES

- The evaluation date for these estimates is 31 December 2016.
- Oil Search's reserves and contingent resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), sponsored by the Society of Petroleum Engineers (SPE).
- The following reference points are assumed:
 - Oil volumes: include both oil and condensate recovered by lease processing. The reference point is at the outlet of the relevant process facility. Volumes are adjusted to stock-tank using field standard conditions.
 - Hides GTE: the custody transfer point at the wellhead
 - PNG LNG Project: the outlet to the LNG plant
 - SE Gobe gas: the outlet to the Gobe facility
 - Fuel, flare and shrinkage upstream of the reference points have been excluded.
- Reserves and contingent resources are aggregated by arithmetic summation by category and therefore proved reserves may be a conservative estimate due to the portfolio effects of arithmetic summation.
- Reserves and contingent resources have been estimated using both deterministic and probabilistic methods.