



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

REPORT TO THE AUSTRALIAN SECURITIES EXCHANGE Activities for the Quarter ended 30 June 2010 27 July 2010

HIGHLIGHTS

- Following the announcement in March 2010 that full execution of the PNG LNG Project had commenced, activities ramped up considerably during the second quarter of 2010. Key activities during the quarter were focused on the ongoing mobilisation of people and equipment to various locations in PNG, site preparation and early construction works.
- During the quarter, Oil Search and its joint venture partners discussed LNG expansion opportunities. In addition, consolidation and optimisation of Oil Search's licence interests continued, with a number of acreage transactions finalised during and shortly after the end of the period.
- Oil Search's total oil and gas production for the second quarter of 2010 was 1.94 million barrels of oil equivalent (mmboe), only marginally lower than first quarter production of 2.00 mmboe. This primarily reflected a continued strong performance from the recently completed ADT2 well at Kutubu. Total oil production was 1.69 million barrels (mmbbls).
- 1.62 mmbbls of oil were sold during the quarter, resulting in a minor increase in crude inventory levels from 0.33 mmbbls at the end of March to 0.38 mmbbls at the end of June. The average realised oil price was US\$78.81 per barrel, 7% higher than in the first quarter of 2010. The Company remained unhedged during the period.
- Total operating revenue was US\$142.7 million compared to US\$133.9 million in the first quarter of 2010. The increase reflected higher realised oil prices combined with a similar level of oil sales.
- At the end of June 2010, Oil Search held US\$1.35 billion in cash, excluding joint venture balances, while US\$503 million had been drawn down from the PNG LNG project finance facility. Oil Search continues to maintain its oil loan facility, which had an undrawn balance of US\$333.5 million at the end of June.
- During the quarter, US\$67.2 million was spent on exploration and evaluation activities, US\$220.6 million on the PNG LNG Project and US\$1.1 million on oil field development work.

Commenting on the quarter, Managing Director, Peter Botten, said:

PNG LNG Project

"The PNG LNG Project moved into full execution mode following financial close in March 2010. Since then, activity levels have ramped up sharply, with work taking place at numerous locations throughout PNG. Activities this quarter included earthworks and the installation of accommodation at Kopi on the south coast, bridge and road improvements along the Highlands Highway, resettlement and clearing activities in the Highlands and site preparation at the LNG site near Port Moresby as well as the continued construction of training facilities and camps.

The Project has already started to have an impact on the country, with hundreds of new jobs being created, both directly by the Project and indirectly, with a strategy to maximise the number of local employment opportunities. The broad-based support the Project is receiving from the Government and the people of PNG is highly encouraging. Recently, the PNG and the Australian Governments agreed to work together to review and address a range of issues which will affect PNG both during the construction of the PNG LNG Project and after it comes into production. These include capacity building, with a particular focus on strengthening Government departmental resources, the development of new infrastructure and the proposed formation of a sovereign wealth fund."

Production and revenue performance

"Production of oil and gas in the second quarter of 2010 was 1.94 mmbbl, only marginally lower than in the first quarter. This was a good result given the maturity of the oil fields and a scheduled shut down of the Agogo Processing Facility for maintenance during the period. The ADT 2 ST3 well, which last quarter discovered oil in a previously untested footwall forelimb compartment of the Agogo Field, continued to perform well. Total oil and gas production for the first half of 2010 was 4% higher than in the corresponding period of 2009, reflecting production from the ADT 2 ST3 well and a better than expected performance from the Moran and Gobe fields.

Oil Search realised an average oil price for the quarter of US\$78.81 per barrel, 7% higher than in the first quarter. The average oil price for the first half of 2010, of US\$76.31 per barrel, was 47% above the levels realised in the same period of 2009. The oil inventory awaiting lifting at the end of the period was 0.38 mmbbls, worth some US\$30 million in revenue at second quarter oil prices.

Total operating revenue for the quarter was US\$142.7 million, 7% above the first quarter primarily because of firmer oil prices. This took total revenue for the first half to US\$276.6 million, considerably higher than 2009 first half revenues of US\$185.1 million."

Gas expansion and exploration activities

"Oil Search and its joint venture partners had a range of discussions during the quarter on LNG expansion opportunities. The infrastructure and capacity of the existing PNG LNG two train Project provides an attractive opportunity to add value through LNG expansion. There is confidence in the ability to secure markets for the incremental volumes due to both the Project's advantages and track record. Resources for expansion may come from either existing Project fields, discoveries where there is a high commonality of ownership interest with PNG LNG or exploration opportunities and work is ongoing on all these options.

During the quarter, Oil Search continued to optimise its gas acreage portfolio, particularly offshore in the Gulf of Papua, which is a proven gas-bearing area yet still under-explored

and where good quality seismic can be acquired to de-risk prospects. In April, the Company increased its interest in offshore licence PRL 1, which contains the Pandora gas field, from 17.7% to 24.1%, while in May it acquired a further 35% in offshore licence PPL 244, which contains the Flinders prospect, through an equity swap with Talisman. Oil Search has taken over the operatorship of PPL 244 and proposes to drill the Flinders well in 2011, following analysis of the 3D seismic which has recently been acquired over the licence.

Shortly after the end of the quarter, Oil Search reached agreement with Santos to increase Oil Search's 42.55% interest in the PRL 9 licence (which contains the Barikewa gas discovery) by 2.5% initially and potentially by up to a further 30%, depending on the future drilling programme.

The Korka 1 well in PPL 260 was drilled during the quarter. While elevated gas readings and oil shows were observed during drilling, pressure tests and samples confirmed that the hydrocarbons encountered were residual and the well was consequently plugged and abandoned.

The first stage of a major offshore PNG 3D seismic survey as well as 2D seismic over a number of licences in the PNG Highlands took place during the quarter and the data is currently being processed and interpreted. The results of the seismic will be used to help define drilling prospects for 2011 and beyond.

In Yemen, the discovery of oil at Al Meashar in Block 7, made in the first quarter, continued to be assessed while the Jebel Al Milh-1 well, which is targeting the same reservoir as Al Meashar and is in the same block, has had encouraging shows during drilling."

Strategic Review

"During the quarter, the Company embarked on a comprehensive strategic review. This review is designed to refine the vision for Oil Search over the next five years, providing detailed programmes to deliver value and maximise returns to shareholders, as Oil Search goes through very significant growth with the delivery of production and cash flows from PNG LNG.

It will highlight ways to further optimise the value of our gas resources through the delivery of PNG LNG trains 1 and 2, how to progress further expansion opportunities, how to add to our resource base and how to optimise oil and gas synergies through a comprehensive 4 – 5 year plan. It will also help to identify growth potential in PNG, assess new business opportunities, both in and outside PNG, and provide initial options for the use of the significant cash flows that will come from the development of LNG.

Results of this work will be communicated to shareholders towards the end of 2010 and around our annual results announcement in early 2011."

Factors affecting profit in the first half of 2010 and outlook for the second half

"The 2010 first half results are scheduled to be released to the market on Tuesday 27 August. There are a number of items that are expected to impact the first half profit.

Cash operating costs for the first half of 2010 are anticipated to be lower than the guidance for the full year of US\$16 – 18 per boe, due to phasing of work programmes, which are skewed to the second half of the year, and better recovery of costs from joint venture partners, in part related to services provided to the PNG LNG Project. The full year operating cost guidance remains unchanged. The guidance for non cash charges also remains unchanged, at US\$6 – 8 per boe for both the half and full year periods, with

the decrease from 2009 levels related to the recognition of LNG reserves following the PNG LNG Project sanction decision.

Exploration expense will be materially higher than in the first half of 2009, as shown on page 6 of this report, due to the write off of costs relating to the Wasuma and Korka wells and of all costs relating to seismic and other evaluation activities. Given the majority of exploration expense relates to activities in PNG, which is tax deductible, the effective tax rate is expected to be only slightly higher than the statutory PNG rate of 50%. While exploration expenditure in the second half is expected to be similar to the first half, exploration drilling is planned to take place towards the end of the period which is likely to result in a lower second half exploration write-off.

Interest expense will include fees on the Company's currently undrawn corporate facility and a finance charge relating to future site restoration commitments. Interest and fees relating to funds drawn down from the PNG LNG Project finance facility will be capitalised until the commencement of LNG production.

Production guidance for the 2010 full year remains unchanged, at between 7.2 – 7.4 mmbœ.”

PETER BOTTEN, CBE
Managing Director
27 July 2010

2010 SECOND QUARTER PERFORMANCE SUMMARY

	Quarter End			Half Year		Full Year
	June 2010	Mar 2010	June 2009	Jan-Jun 2010	Jan-Jun 2009	Dec 2009
PRODUCTION DATA						
Crude oil production ('000 bbls)	1,691	1,729	1,628	3,420	3,262	7,068
Gas production (mmscf)	1,319	1,427	1,451	2,746	2,855	5,515
Hides condensate ('000 bbls)	33	35	36	69	72	135
Barrels of oil equivalent ('000 boe)	1,944	2,002	1,906	3,947	3,809	8,122
SALES						
Internal oil usage ('000 bbls) ¹	22	20	20	41	40	76
Sales volume ('000 bbls)	1,622	1,602	1,843	3,224	2,986	6,953
Gas equivalent sales (mmscf) ²	1,395	1,497	1,502	2,892	2,953	5,652
Hides other condensate ('000 bbls) ³	5	7	10	11	19	33
Crude inventory ('000 bbls) ⁴	376	326	420	376	420	222
Barrels of oil equivalent sold ('000 boe)	1,860	1,859	2,103	3,717	3,497	7,928
FINANCIAL DATA ⁵						
Oil sales (gross) (US\$m)	127.8	118.2	102.4	246.0	154.8	454.7
Gas and refined product sales	9.7	8.7	5.9	18.4	12.9	27.7
Other field revenue	5.2	7.0	8.3	12.2	17.4	29.8
Total operating revenue	142.7	133.9	116.5	276.6	185.1	512.2
Average realised oil price (US\$ per bbl)	78.81	73.78	55.57	76.31	51.84	65.39
Cash (US\$m) ⁶	1,348.8	1,389.7	402.1	1,348.8	402.1	1,255.1
Debt (US\$m)						
- PNG LNG financing	503.0	390.9	Nil	503.0	Nil	Nil
- Other	Nil	Nil	Nil	Nil	Nil	Nil
Net cash (US\$m)	845.8	998.8	402.1	845.8	402.1	1,255.1

- 1 Oil used within Oil Search's operations and not available for sale
- 2 Gas equivalent sales includes some Hides condensate sold under the same commercial arrangement
- 3 Hides other condensate includes various other refined products (Naphtha and diesel)
- 4 Includes minor field quality adjustments
- 5 Revenue data disclosure aligned to annual report format
- 6 Excludes share of cash balances of joint venture interests
- 7 Prior period comparatives updated for subsequent changes
- 8 Numbers may not add due to rounding

Production in the second quarter of 2010 was 1.94 mmmboe net to Oil Search, 3% lower than in the first quarter of 2010, produced at an average rate of 21,369 barrels of oil equivalent per day (boepd). The slightly lower production was due to natural field decline and a scheduled shutdown for routine inspection and maintenance.

Oil production available for sale (production less internal usage) in the quarter was 1.67 mmmbbls. Oil sales for the period were 1.62 mmmbbls and the crude inventory at the end of the quarter was 0.38 mmmbbls. The average oil price realised for the quarter was US\$78.81 per barrel. The Company did not undertake any hedging transactions during the period and remains unhedged.

Sales revenue from oil, gas and refined products was US\$137.5 million. Other revenue of US\$5.2 million consisted largely of rig lease income and infrastructure tariffs.

Exploration and evaluation expenditure during the quarter was US\$67.2 million, spent primarily on the Koraka well and on seismic activities in PNG. Oil Search's share of PNG

LNG Project costs were US\$220.6 million, funded 70% by drawdowns of funds from the PNG LNG Project finance facility and the remaining 30% by cash reserves. Expenditure on producing assets and other capital costs totalled US\$2.2 million.

At 30 June 2010, Oil Search had cash of US\$1.35 billion (excluding joint venture balances), compared to US\$1.39 billion at the end of March, while US\$503.0 million had been drawn down under the PNG LNG project finance facility. At the end of June, the Company had an undrawn revolving loan of US\$333.5 million.

(US\$ million)	Quarter End			Half Year		Full Year
	June 2010	Mar 2010	June 2009	Jan-Jun 2010	Jan-Jun 2009	Dec 2009
SUMMARY OF CAPITAL EXPENDITURE						
Exploration & Evaluation ¹						
PNG – Oil and Gas	57.2	29.3	4.9	87.3	6.2	40.0
Gas Commercialisation ²	0.8	1.2	52.5	1.9	90.3	314.8
MENA	9.2	6.4	23.1	15.6	27.8	83.8
Total Exploration & Evaluation	67.2	36.9	80.5	104.8	124.3	438.6
Development ²	220.6	296.9	-	517.5	-	-
Production	1.1	9.6	52.2	10.7	97.9	142.3
Other Property Plant & Equipment	1.1	1.5	0.1	1.9	2.1	5.1
TOTAL CAPITAL EXPENDITURE	290.0	344.9	132.8	634.9	224.3	586.0
SUMMARY OF EXPLORATION & EVALUATION EXPENSED						
From current year expenditure						
PNG – Oil and Gas	71.1	2.7	6.2	73.7	9.1	16.4
Gas Commercialisation	0.8	1.2	0.7	1.9	1.2	2.4
MENA	5.8	2.3	4.0	8.2	6.5	53.1
Total	77.7	6.2	10.9	83.8	16.8	71.9
Prior year expenditures expensed	13.8	-	-	13.8	1.6	4.0
TOTAL EXPLORATION & EVALUATION EXPENSED	91.5	6.2	10.9	97.6	18.4	75.9

- 1 Exploration expensed includes costs of unsuccessful wells except where costs continue to be capitalised, general administration costs, geological and geophysical costs of new venture activity. Costs relating to permit acquisition costs, expenditure associated with the drilling of wells that result in a successful discovery of potentially economically recoverable hydrocarbons and expenditures on exploration and appraisal wells pending economic evaluation of recoverable reserves are capitalised.
- 2 Following Financial Close of the PNG LNG Project, all LNG expenditure for the 2010 period is disclosed as Development Expenditure. Prior period expenditure in relation to the PNG LNG Project is classified as Exploration & Evaluation expenditure.
- 3 Prior period comparatives updated for subsequent changes.
- 4 Numbers may not add up due to rounding.

PERFORMANCE SUMMARY FOR THE FIRST HALF OF 2010

Oil and gas production for the first half of 2010 was 3.95 mmbbl, a 4% increase compared to the first half of 2009.

Oil production was 3.42 mmbbls, 5% higher than in the corresponding period in 2009. This was primarily due to the success of the Agogo ADT2 ST3 well and no major unscheduled shut-ins or processing issues during the period (which impacted 2009 first half production), partly offset by natural field decline. Total oil liftings for the first half of 2010 were 3.22 mmbbls.

Total operating revenue in the first half of 2010 was 49% higher than in the corresponding period of 2009 at US\$276.6 million. Higher revenues reflected both higher liftings and a significant increase in the realised oil price, of US\$76.31 per barrel compared to \$51.84 per barrel in the first half of 2009.

PRODUCTION

	Quarter End			Half Year		Full Year
	June 2010	March 2010	June 2009	Jan-June 2010	Jan-June 2009	Dec 2009
Oil Production ('000 bbls)						
- Kutubu	916	929	977	1,644	1,757	3,877
- Moran	665	691	480	1,357	1,133	2,537
- SE Mananda	26	30	55	56	125	199
- Gobe Main	17	16	14	32	29	61
- SE Gobe	67	64	102	131	217	394
Total PNG ('000 bbls)	1,691	1,729	1,628	3,420	3,262	7,068
Hides gas production (mmscf)	1,319	1,427	1,451	2,746	2,855	5,515
- Hides condensate ('000 bbls)	33	35	36	69	72	135
Total Production ('000 boe)	1,944	2,002	1,906	3,947	3,809	8,122

1 Prior period comparatives updated for subsequent changes

2 Numbers may not add due to rounding

Kutubu (PDL 2 – 60.0%, Operator)

Oil Search's share of production from Kutubu in the second quarter of 2010 was 0.92 million barrels, 1.4% lower than in the first quarter. Gross production rates averaged 16,758 bopd during the period, down from 17,184 bopd in the previous quarter.

Overall field performance in the second quarter was similar to the first quarter, with the slightly lower average production rate the result of a scheduled maintenance shutdown at the Agogo Production Facility (APF) in April and continued testing of individual zones in key wells at Usano and Agogo for reservoir management purposes.

The uppermost Digimu interval of the Agogo ADT2 ST3 well, which recently discovered oil in the forelimb of the Agogo field, continued to flow at rates of approximately 1,500 bopd. Testing of the remaining three untested deeper intervals is scheduled for the third quarter. A remapping exercise is also being undertaken in order to identify the potential for additional well locations in the Agogo forelimb structure.

Several well intervention opportunities are being implemented across the Kutubu fields which are expected to maintain production rates at current levels. Additionally, a

number of workover opportunities are being planned to commence in late 2010/early 2011 with the Hydraulic Workover Unit.

Moran Unit (49.5%, based on PDL 2 – 60.0%, PDL 5 – 40.7% and PDL 6 – 72.5%, Operator)

Oil Search's share of production from Moran in the second quarter of 2010 was 0.66 million barrels, which was 4% lower than in the first quarter. The field produced at a gross average rate of 14,770 bopd compared to 15,514 bopd in the previous quarter.

Moran production rates were impacted by the scheduled APF shutdown in April. However, implementation of a by-pass facility at the APF allowed the production impact of the shutdown to be significantly reduced. Also during the quarter, the NW Moran 1X ST5 was shut-in for wireline work and the Moran 14A ST1 well was shut-in for a zone change to the Toro reservoir. Both wells are now back on-line.

During the quarter, the Moran 5A ST1 gas injection well was re-entered to remove the existing completion, using Rig 104. The well has been temporarily suspended prior to drilling the Moran 15 well (C Block appraisal) and will subsequently be re-entered to re-complete the well. The re-completion of the Moran 5A ST1 well is expected to result in improved injection rates to support key producers in this part of the Moran field.

The Moran 15 well commenced drilling in July using Rig 104.

Gobe (PDL 3 - 36.4% and PDL 4 - 10%, Operator)

Oil Search's share of production from the Gobe fields in the second quarter of 2010 was 0.08 million barrels, up 5% on first quarter levels.

The gross average production rate for Gobe Main was 8% higher than the first quarter at 1,854 bopd due to high plant uptime and sustained production rates from the GM2 ST1 and GM5 ST3 wells. Gross average rates at SE Gobe increased by 5% to 2,883 bopd due to high plant uptime and optimisation of production from key wells.

SE Mananda (PDL 2 – 72.3%, Operator)

Oil Search's share of 2010 second quarter production from the SE Mananda field was 0.026 million barrels, down 11% from first quarter levels. Gross average daily production rates from the field were 399 bopd, compared to 455 bopd in the first quarter, due to the scheduled shut down at the APF.

Hides Gas to Electricity Project (PDL 1 - 100%, Operator)

Production of gas for the Hides Gas to Electricity Project in the second quarter of 2010 was 1.32 billion cubic feet, produced at an average daily production rate of 14.5 million cubic feet per day. This compares to 15.9 million cubic feet per day in the first quarter. 33,000 barrels of condensate were produced for use within the Hides facility and for local sales.

GAS COMMERCIALISATION

PNG LNG Project

The second quarter of 2010 represented the first period of full execution on the PNG LNG Project. During the quarter, a range of activities took place at a number of different locations. The key focus areas were as follows:

- Development of the southern supply port at Kopi, including earthworks, the installation of accommodation and construction of the wharf.
- Development of the logistics base at Lae.
- Bridge improvements and road upgrades at various points along the Highlands Highway, which runs from Lae to the Highlands.
- Bridge improvement work and preparations for the construction of a new bridge over the Kikori River on the southern supply route, from Kopi to the Highlands.
- Resettlement activities in the Highlands in preparation for construction.
- Preparations at the LNG Plant site, including earthworks for camp buildings, construction of a site by-pass road and installation of electrical and communication cables.
- Fabrication and delivery of sections of the offshore and onshore line pipe to the coating yard for coating.
- Ongoing procurement of major long lead items.

Considerable work also took place on workforce and supplier development, and construction of training facilities.

A comprehensive Environmental and Social Report was released in May by the Project Operator, ExxonMobil. This report, the first in a series of ongoing quarterly reports, provided an update on Project construction activities and safety, security, health, environment and social performance during the first quarter of 2010 and outlines how the Project is managing the social and environmental interfaces. While it is early in the construction phase, overall, the Project performed well in all these aspects during the first quarter of 2010. The report can be accessed from the PNG LNG website, at www.pnglng.com.

Other Gas Initiatives

During the quarter, discussions were held with Oil Search's joint venture partners about LNG expansion opportunities.

Consolidation and optimisation of Oil Search's licence interests continued during the second quarter of 2010. As previously highlighted, in April, Oil Search agreed to purchase a 6.36% interest in offshore licence PRL 1, containing the discovered Pandora gas field, from Twinza Oil Limited, bringing the Company's interest in the licence to 24.09%. The transaction is subject to standard industry conditions precedent.

In May, Oil Search agreed an equity swap with Talisman, whereby Oil Search has sold 60% of its 80% interest in the Forelands licence PPL 239 to Talisman and Oil Search has acquired Talisman's 35% interest in offshore licence PPL 244. Talisman has assumed operatorship of PPL 239, in which Oil Search has retained a 20% interest, while Oil Search has taken over the operatorship of PPL 244 and now holds 80% of this licence. Oil Search intends to submit a Licence Extension Application in PPL 244, which contains the Flinders prospect, with a work programme that includes one firm and one optional well, to be drilled following the completion of the current 3D seismic survey.

Shortly after the end of the quarter, Oil Search signed a farm-in agreement with Barracuda Limited (a Santos subsidiary) under which Oil Search will increase its interest in the PRL 9 licence (which contains the Barikewa gas discovery) initially by 2.5%, to

45.1%, and potentially by up to a further 30%, depending on the forward drilling programme in the licence.

EXPLORATION ACTIVITY

PNG

The Koroka well in PPL 260 (Oil Search 50.00%, subject to Government approvals, Operator) spudded in April 2010 and was drilled to a total depth of 3,340 metres. Although elevated gas readings and oil shows were observed within the Toro sandstone, pressure tests and fluid samples confirmed the presence of residual hydrocarbons and water. The well was plugged and abandoned in June and Rig 104 was subsequently moved to Moran to drill the Moran 15 development well.

In the Fold Belt, site construction continued at the Mananda Attic well site in PPL 219. The Mananda Attic well, Oil Search's next exploration well in PNG, is scheduled to be drilled in the fourth quarter of 2010, targeting incremental oil and structural information to enable evaluation of a deeper Mananda Footwall gas play.

In the Highlands, 62 kilometres of 2D seismic was acquired in PDL 8 and PRL 11 (Oil Search 40.7% and 52.5%, respectively), over the Angore gas field and Huria lead and in the Forelands, 60 kilometres of 2D seismic was acquired over the Barikewa gas field in PRL 9 (Oil Search 45.1%). Interpretation of the data from both surveys is currently underway to enable drillable prospects to be defined. If a positive decision to move forward with drilling is made, well site construction will commence in late 2010 and drilling in 2011.

During the quarter, the first phase of a 4,720 square kilometre 3D seismic survey over the offshore licences PPL 234 (Oil Search 80%, Operator) and PPL 244 (Oil Search 80%, subject to Government approvals, Operator), was acquired during April and May. This data is now being processed and the remainder of the survey will be acquired during the third and fourth quarters of 2010. The objective of this 3D seismic survey is to mature gas prospects in the Gulf of Papua, a proven gas province, prior to drilling in 2011.

Preparations continued on the Coal Bed Methane drilling programme within Oil Search's Mining Exploration Licences. A drilling rig has been mobilised and associated contracts awarded. Drilling is expected to commence in the third quarter.

Yemen

Following the successful Al Meashar-1 well, which recovered oil from a fractured basement reservoir, drilling continued during the second quarter on the second of four commitment wells in Block 7. The Jebel Al Milh-1 well spudded in May and is currently drilling ahead. The well is also targeting fractured basement as the primary objective and will drill to a depth of around 3,700 metres.

In light of the results seen in Al Meashar-1, where the reservoir is believed to have been damaged by lost-circulation material, the basement section in Jebel Al Milh-1 will be drilled using a Managed-Pressure Drilling technique whereby the losses will be minimised and the potential of the reservoir assessed while drilling. This technique promises to deliver more definitive information than conventional drilling.

The reservoir character of the discovery at Al Meashar continues to be assessed. An appraisal well is presently being planned and analysis of early production options are being carried out.

Iraq

During the quarter, 231 kilometres of 2D seismic was acquired in the K42 Block (Oil Search 75%, Operator). The programme was completed with no safety or security incidents and represents Oil Search's first operated activity in Kurdistan. The seismic data is now being processed and interpreted. Subject to the seismic evaluation and certain conditions precedent being fulfilled by the Kurdistan Regional Government, the permit may be converted into a full PSC prior to the end of the seismic option period which expires in May 2011.

In the adjacent Shakal block (Oil Search 15%), planning for a small seismic programme continued, with acquisition expected to commence in the third quarter. The data will assist in understanding the trapping mechanism for the accumulation proved by Shakal-1 and will be used to formulate a forward plan for the block, prior to the expiry of the current extension period in January 2011.

Tunisia

During the quarter, a contractor was selected for the acquisition of 400 kilometres of 2D seismic in the Tajerouine permit (Oil Search 100%, Operator) and detailed scouting took place. In addition, agreements allowing Oil Search to operate the programme in both this block and the adjacent Le Kef permit, where around 180 kilometres will be acquired, were finalised. Acquisition is expected to commence in mid-July and continue until late September. Drilling is currently scheduled to take place in 2011.

DRILLING CALENDAR FOR 2010

Subject to Joint Venture approvals, the indicative 2010 exploration and development programme is as follows:

Well	Well type	Licence	OSH interest	Timing
PNG				
Moran 15	Development	Moran Unit	49.5%	Drilling ahead
Coal Bed Methane x3	Exploration	Various	100.0%	3Q/4Q 10
Mananda Attic	Exploration	PPL 219	71.3%	4Q 10

Yemen				
Jebel Al Milh	Exploration	Block 7	34.0%	Drilling ahead
Prospect M	Exploration	Block 3/7	60.0%/34%	3Q/4Q 10

Note: Wells and timing subject to change

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