
Oil Search Alaska North Slope Assets - Update

(ASX:OSH | ADR: OISHY | POMS0X: OSH)

20 December 2018

HIGHLIGHTS

- **The 2018/19 two-well appraisal drilling programme on the Pikka Unit has commenced, with the construction of the ice road underway and both wells on track to commence drilling in January 2019.**
- **The Final Environmental Impact Statement (FEIS) for the proposed Pikka Unit development has been issued by the US Army Corp of Engineers (USACE). The FEIS comment period closed on 3 December 2018 and the USACE is now preparing its Record of Decision, which should allow the Pikka development to proceed to Front End Engineering and Design, planned for mid-2019.**
- **In conjunction with its partner, Repsol, Oil Search has successfully expanded its lease position following the recent 2018 Alaska Lease round, acquiring interests in prospective acreage close and adjacent to the Pikka Unit.**
- **Preparations for exercising Oil Search's option with Armstrong and a partial divestment of the acquired lease interests are progressing well, with significant interest from oil industry participants in the Company's Alaskan assets.**
- **The recruitment of a multi-disciplinary team of highly experienced personnel continues to make excellent progress.**

Commencement of appraisal drilling activity

The 2018/2019 two-well, two-rig appraisal drilling programme commenced in November with the start of ice road construction. The weather conditions on the North Slope have been favourable and, as a result, the ice road preparation is currently slightly ahead of schedule. The Pikka B well is expected to commence drilling in early January 2019 and Pikka C in mid-late January, with the rigs scheduled to be demobilised in April 2019, at the end of the Alaskan exploration drilling season.

The objective of the wells, both of which will comprise a vertical hole and a sidetrack, allowing four reservoir penetrations, is to confirm the presence, thickness and quality of the Nanushuk reservoir at the Pikka B and C locations. In addition, testing will confirm well deliverability, which will feed into the selection of the well design that will be used in the Pikka development. Oil Search expects that, if successful, the wells could result in the movement of approximately 250 million barrels of oil resources from the 3C to 2C category, increasing total Nanushuk and satellite fields 2C resources from 500 million barrels to approximately 750 million barrels.

Oil Search has continued to mature its understanding of the Nanushuk reservoir since it assumed operatorship of the Pikka Unit in March 2018. Based on an increased confidence in the resource size, initial concept select

evaluations indicate a 120,000 bopd processing capacity, with production from three drill sites (of which two will be developed initially, with one in reserve), as the most likely development concept. Further facility processing studies are currently underway to confirm the optimal configuration.

Final EIS for Pikka Development advancing

On 2 November, the US Army Corp of Engineers (USACE), the primary permitting authority for the Pikka development, issued its Final Environmental Impact Statement (FEIS) for the project. In the FEIS, the UASCE recommended that Pikka be developed under the plan proposed by Oil Search, which was prepared in response to community input on the draft EIS.

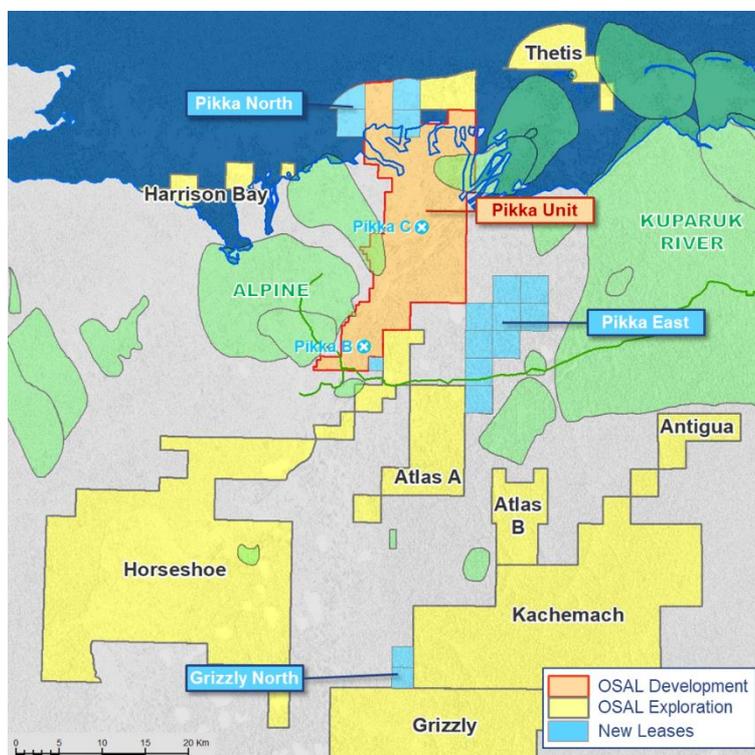
The period for final comments from the community on the FEIS closed on 3 December and the USACE is now preparing its Record of Decision, which is expected to be granted late in the first quarter of 2019. The FEIS, which has taken nearly four years to achieve, is a key milestone in the project permitting process.

Expansion of acreage position

Following the recent 2018 Alaska Lease round, Oil Search has successfully expanded its acreage position in areas around and adjacent to the Pikka Unit.

Through pre-existing commercial agreements, Oil Search plans to acquire interests and become operator in the leases Repsol successfully bid on east of the Pikka Unit, covering more than 17,000 acres. Oil Search was also successful in acquiring leases covering 3,575 acres immediately adjacent to the northern boundary of the Pikka Unit. A share in these leases has been offered to Repsol under existing agreements. Oil Search will remain the operator.

These leases add exploration prospects, which, if successful, could be developed utilising the planned Pikka Unit facilities, positioning Oil Search well for long term growth.



Preparations for Option exercise and divestment well advanced

In preparation for the potential exercise of the Company's US\$450 million Option with Armstrong, which would see Oil Search double its interests in the Pikka Unit and the Horseshoe lease, Oil Search continues to advance preparations to sell down a material interest in the Alaskan portfolio to potential partners through a competitive process.

Oil Search has received multiple unsolicited inquiries from oil industry participants, demonstrating strong interest in these assets.

Staffing of office progressing

Oil Search has continued to add very high quality, experienced personnel to its Anchorage office. All 13 senior department heads have now been recruited, with diverse backgrounds in the global and local Alaskan oil industry. Staffing in the Anchorage office is currently at 90, including Oil Search employees and contract staff. In early 2019, the Oil Search Sydney office will transfer responsibilities for exploration activities to a nine-person team based in the Anchorage office.

Commenting on the Company's Alaskan assets, Oil Search's Managing Director, Peter Botten, said:

"In under a year, Oil Search has made great strides forward in delivering value from its Alaskan North Slope acquisition, completed in early 2018. The Company is positioned at the forefront of the re-emergence of Alaska as a major world class petroleum province, driven by the development of the exciting Nanushuk play. The importance and scale of this new play has been confirmed not just by our discoveries but also the 2018 drilling by ConocoPhillips adjacent to our acreage. The United States Geological Survey's most recent assessment indicates that the Nanushuk has the potential to contain some eight billion barrels of oil. Following the recent lease awards, Oil Search and its partners now control much of the acreage that dominates this play.

Recent detailed reservoir modelling, incorporating more data and the ConocoPhillips 2018 drilling results, has given us significantly greater confidence in the upside of the resource in the Nanushuk in the Pikka Unit. This will be confirmed by the two-rig drilling programme which has recently commenced. We have also made significant progress with the EIS process. We took time to consider all community issues and incorporated several amendments to the original plan to reduce the environmental footprint. The Record of Decision, expected late in the first quarter of 2019, will clear the way for the Pikka Unit Joint Venture to move into FEED, targeted for mid-2019, with a final investment decision expected to take place in 2020. Our interest in the development will be optimised through the Option exercise and divestment process currently underway, with initial interest in the assets from well-respected oil industry participants extremely encouraging.

Our Alaskan portfolio, comprising the Pikka Unit development, material appraisal upside in Horseshoe, existing exploration acreage and the new lease awards, together with the strong relationships that have been forged with partners, the local community and governments, give Oil Search an excellent base to drive long term value for all stakeholders."

PETER BOTTEN, CBE

Managing Director

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