
2014 Reserves and Resources Statement

24 February 2015

Highlights

- At 31 December 2014, Oil Search's total proved and probable reserves (2P) and contingent resources (2C) for gas were 5,811.6 billion cubic feet (bcf), 25% higher than at 31 December 2013. The increase was primarily due to the Company's acquisition of an interest in the Elk/Antelope fields in PRL 15, which added 1,219.4 bcf to 2C contingent resources.
- The Company's 2P oil and condensate reserves increased by 2%, reflecting a 10.7 million barrel (mmbbl) upgrade in Kutubu and Moran 2P reserves, partially offset by 2014 oil and condensate production of 7.8 mmbbl.
- Total 2P reserves and 2C contingent resources for oil and condensate were marginally lower than at the end of 2013, at 173.6 mmbbl.
- Over the past three years, nearly 50 million barrels gross have been added to 1P Expected Ultimate Recoveries from the key PNG producing oil fields, reflecting the ongoing success of the Company's oil field management programme.

Oil and gas reserves

At 31 December 2014, the Company's proved reserves (1P) were 66 mmbbl of oil and condensate and 1,543.3 bcf of gas. 2P reserves were 95.9 mmbbl of oil and condensate and 2,282.0 bcf of gas.

The key changes in 1P and 2P reserves since 31 December 2013, which are summarised in Tables 1 and 2, are as follows:

- Reserves at 31 December 2014 have been adjusted for 2014 net production of 7.8 mmbbl of oil and condensate and 53.2 bcf of gas.
- An independent audit by Netherland, Sewell & Associates, Inc. (NSAI) of the Kutubu, Agogo and Moran fields resulted in additions to Expected Ultimate Recoveries (EUR) of 23.2 mmbbl (13.3 mmbbl net) in the 1P category and 18.5 mmbbl (10.7 mmbbl net) in the 2P category. This result reflects the ongoing success of development drilling in the key PNG producing oil fields, combined with a strong focus on maximising production from existing wells through comprehensive reservoir surveillance and well intervention activities as well as field life extensions due to the PNG LNG Project.

- At SE Mananda, continued oil production is no longer economic and the final oil reserves position reflects total production volumes to the end of 2014. Studies are underway to assess how the facilities can be preserved for potential future developments in the region.
- Reserves at the Hides GTE Project have been adjusted to reflect the Company's PDL 1 entitlement of 16.7%, as per the revised Hides Gas Sales Agreement. This compares to an entitlement of 100% under the previous agreement. Estimates are reported as wet gas volumes, in recognition of the custody transfer point at the Hides 1 and Hides 2 wells. Note that production volumes will continue to be reported on a 100% basis to reflect volumes purchased by the Hides (GTE) Project Participant (Oil Search 100%) and processed for sale to the Porgera power station.
- SE Gobe third party gas sales to the PNG LNG Project are included in the 2P category and, for the first time, the 1P category, due to the imminent execution of a gas sales and purchase agreement between the SE Gobe and PNG LNG Project joint ventures.

Developed and undeveloped reserves categories are shown in Table 3. Undeveloped oil and gas reserves are largely related to field life extensions resulting from the PNG LNG Project, where the construction of additional infrastructure is required prior to the commencement of gas export. At SE Gobe, third party gas sales to the PNG LNG Project, plus associated liquids, have been moved to the developed category, due to the commencement of PNG LNG operations in 2014 and the imminent execution of a gas sales and purchase agreement between the SE Gobe and PNG LNG Project joint ventures.

Contingent resources

At the end of 2014, the Company's 2C contingent oil and condensate resources were 77.7 mmbbl, down from 84.7 mmbbl in 2013, and 2C contingent gas resources were 3,529.5 bcf, up from 2,296.8 bcf in 2013.

The key changes in contingent resources since 31 December 2013, which are summarised in Tables 1 and 2, are as follows:

- 1,219.4 bcf of 2C contingent gas has been added, relating to the Company's purchase of an interest in the Elk/Antelope fields in PRL 15. This 2C resource estimate is consistent with the Company's announcement at the time of the acquisition.
- The latest analysis of data from the Flinders 1 well in the Gulf of Papua, drilled in 2013, has resulted in the addition of 79 bcf of 2C contingent gas at Flinders.
- Mananda 2C contingent oil resources have been reduced by 6.9 mmbbl and 2C contingent gas resources by 65.7 bcf, to reflect the latest analysis of data from the Mananda 5, 6 and 7 wells.

Reserves and resources

As highlighted in Table 4, at the end of 2014, Oil Search's total 2P oil and condensate reserves and 2C contingent resources were 173.6 mmbbl and the Company's total 2P gas reserves and 2C contingent resources were 5,811.6 bcf.

Elk/Antelope, PRL 15 – initial booking of contingent resource

1,219.4 bcf raw gas has been booked for the first time 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 field. The licence was granted on 30 November 2010 for a five year term.

The presence of significant quantities of moveable hydrocarbons in the Elk/Antelope field has been confirmed from the following:

- Data acquired from six Elk/Antelope exploration and appraisal wells commencing in 2006 with the Elk-1 discovery well.
- The interpretation of data acquired during the drill stem testing of multiple intervals, including the analysis of reservoir hydrocarbon samples recovered to surface.

Oil Search has conducted a detailed assessment of all available data to reach a position on the contingent resource potential of the field. Contingent resource volumes have been estimated by combining in-place volume estimates from geological modelling with recovery factor estimates from both simulation modelling and a consideration of analogue fields. A deterministic approach was used to estimate the reported volumes for the Elk and Antelope fields and they have been aggregated arithmetically by the addition of individual field volumes.

These resources are considered to be contingent on the confirmation of a commercially viable development project and the negotiation of, and commitment to, future LNG contracts. Additional appraisal drilling has commenced and continued evaluation of all data will be required to further assess the potential for commercial recovery. This may also include the reprocessing of existing seismic lines, the acquisition of additional seismic lines and further well testing.

Flinders, PPL 244 – initial booking of contingent resource

79 bcf raw gas have been booked for the first time in the 2C contingent resource category relating to Oil Search's 40% economic interest in Petroleum Prospecting Licence 244 (PPL 244) in the Gulf of Papua in PNG, which contains the Flinders gas field. The licence was granted on 25 February 2005 for an initial six year term and a licence extension was granted on 25 February 2011 for an additional five year term.

The presence of significant quantities of moveable hydrocarbons in the Flinders field has been confirmed from the following:

- Data acquired from the Flinders 1 exploration well drilled in 2013. Data acquired from well logging during and after drilling has been used to determine the most likely fluid content of the sandstone reservoir. This includes the analysis of reservoir pressure data and samples of hydrocarbons brought to surface during wireline logging.
- The interpretation of 3D seismic data and data from offset wells in the Gulf of Papua, including the Hagana 1 and Kidukidu 1 wells also drilled in 2013.

Oil Search has conducted a detailed assessment of all available data to reach a position on the contingent resource potential of the field. Contingent resource volumes have been estimated by combining in-place volume estimates from geological modelling with recovery factor estimates from simulation modelling using the deterministic method.

These resources are considered to be contingent on the confirmation of a commercially viable development project and the negotiation of, and commitment to, future LNG contracts. Additional appraisal drilling and evaluation of data will be required to further assess the potential for commercial recovery. This may include the reprocessing of existing 3D seismic lines and well testing.

P'nyang, PRL 3 – potential for increase in booking of contingent resource

Oil Search has a 38.5% economic interest in Petroleum Retention Licence 3 (PRL 3) in the Western Province of PNG, which contains the P'nyang gas field. The retention licence was granted on 12 April 2000 for an initial 5 year term with subsequent licence extensions granted for 5 years each on 12 April 2005 and 12 April 2010. In February 2015, a Petroleum Development Licence application was submitted to the PNG Government.

The presence of significant quantities of moveable hydrocarbons in the P'nyang field has been confirmed from the following:

- Data acquired from three exploration/appraisal wells, commencing in 1990 with the P'nyang 1X discovery well.
- The interpretation of data acquired during well logging and the drill stem testing of reservoir intervals, including the analysis of hydrocarbon samples recovered to surface.
- The interpretation of seismic data acquired during 2011 and 2013 and core data acquired from the P'nyang South-1 well drilled in 2012.

Preliminary interpretation of recently acquired seismic and core data has been positive and, subject to further appraisal drilling and technical studies, the 2C contingent resource could increase materially. Contingent resource volumes are being assessed by combining in-place volume estimates from geological modelling with recovery factor estimates from simulation modelling using the deterministic method.

The P'nyang resources are considered to be contingent on additional appraisal drilling and technical studies, the confirmation of a commercially viable development project and the negotiation of, and commitment to, future LNG contracts.

Governance and 2015 Audit Plan

The governance arrangements for the reporting of hydrocarbon reserves and resources are based on the Company'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 Board approval at the Audit and Financial Risk Committee.
- Under the Company's RMAP arrangements, oil fields are subject to independent audit every three years or more frequently under some circumstances (for example, if a material change is indicated).

All oil fields were audited at the end of 2012 by independent auditors, NSAI. Kutubu and Moran were also audited in 2014. Gas reserves are subject to audit under instruction from the PNG LNG Project operator, ExxonMobil PNG Limited.

TABLE 1: 2014 oil and condensate reserves and resources reconciliation with 2013
Proved oil and condensate reserves (million barrels)

Licence/Field	End 2013 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 Reserves
PDL 2 – Kutubu	12.4	3.7	10.4	-	19.2
PDL 2 – SE Mananda	0.1	-	(0.1)	-	-
PDL 2/5/6 – Moran Unit	9.3	2.0	2.9	-	10.2
PDL 4 – Gobe Main	0.1	-	-	-	0.1
PDL 3/4 – SE Gobe	0.3	0.1	-	-	0.2
PDL 1 – Hides	1.0	-	(1.0)	-	-
PNG LNG Project	38.4	2.0	-	-	36.5
Total	61.6	7.8	12.2	-	66.0

Proved & probable oil and condensate reserves (million barrels)

Licence/Field	End 2013 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 Reserves
PDL 2 – Kutubu	18.7	3.7	8.8	-	23.8
PDL 2 – SE Mananda	0.3	-	(0.3)	-	-
PDL 2/5/6 – Moran Unit	13.9	2.0	1.9	-	13.8
PDL 4 – Gobe Main	0.2	-	-	-	0.1
PDL 3/4 – SE Gobe	0.6	0.1	-	-	0.5
PDL 1 – Hides	1.0	-	(1.0)	-	-
PNG LNG Project	59.7	2.0	-	-	57.8
Total	94.3	7.8	9.4	-	95.9

2C contingent oil and condensate resources (million barrels)

Licence/Field	End 2013 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 2C Resources
PNG LNG Project oil and condensate	1.7	-	-	-	1.7
PNG other oil and condensate	29.9	-	(6.9)	-	22.9
Middle East other oil and condensate	53.1	-	-	-	53.1
Total other oil and condensate	84.7	-	(6.9)	-	77.7

TABLE 2: 2014 gas reserves and resources reconciliation with 2013
Proved gas reserves (billion standard cubic feet)

Licence/Field	End 2013 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 Reserves
PDL 2 – Kutubu	-	-	-	-	-
PDL 2 – SE Mananda	-	-	-	-	-
PDL 2/5/6 – Moran Unit	-	-	-	-	-
PDL 4 – Gobe Main	-	-	-	-	-
PDL 3/4 – SE Gobe	-	-	17.7	-	17.7
PDL 1 - Hides	43.3	1.0	(37.3)	-	5.0
PNG LNG Project	1,572.8	52.2	-	-	1,520.6
Total	1,616.1	53.2	(19.6)	-	1,543.3

Proved & probable gas reserves (billion standard cubic feet)

Licence/Field	End 2013 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 Reserves
PDL 2 – Kutubu	-	-	-	-	-
PDL 2 – SE Mananda	-	-	-	-	-
PDL 2/5/6 – Moran Unit	-	-	-	-	-
PDL 4 – Gobe Main	-	-	-	-	-
PDL 3/4 – SE Gobe	23.8	-	-	-	23.8
PDL 1 – Hides	43.3	1.0	(35.5)	-	6.9
PNG LNG Project	2,303.6	52.2	-	-	2,251.4
Total	2,370.7	53.2	(35.5)	-	2,282.0

2C contingent gas resources (billion standard cubic feet)

Licence/Field	End 2013 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2014 2C Resources
PNG LNG Project gas	208.3	-	-	-	208.3
PNG other gas	1,953.6	-	13.3	1,219.4	3,186.3
Middle East other gas	134.9	-	-	-	134.9
Total other gas	2,296.8	-	13.3	1,219.4	3,529.5

TABLE 3: Developed and undeveloped reserves
Developed reserves

(Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Developed ³	Gas Developed ^{4,5}	Oil and Condensate Developed ³	Gas Developed ^{4,5}
	%	mmbbl	bscf	mmbbl	bscf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 – Kutubu	60.0%	16.3	-	20.6	-
PDL 2 – SE Mananda	72.3%	-	-	-	-
PDL 2/5/6 – Moran Unit	49.5%	6.9	-	9.8	-
PDL 4 – Gobe	10.0%	0.1	-	0.1	-
PDL 3/4 – SE Gobe	25.6%	0.2	17.7	0.5	23.8
PDL 1 – Hides	16.7%	-	5.0	-	6.9
Oil Fields and Hides GTE reserves		23.5	22.7	30.9	30.7
PNG LNG Project reserves	29.0%	26.4	1,129.4	42.9	1,690.7
Sub-total developed resources		49.8	1,152.1	73.8	1,721.4

Undeveloped reserves

(Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Undeveloped ³	Gas Undeveloped ^{4,5}	Oil and Condensate Undeveloped ³	Gas Undeveloped ^{4,5}
	%	mmbbl	bscf	mmbbl	bscf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 – Kutubu	60.0%	2.9	-	3.2	-
PDL 2 – SE Mananda	72.3%	-	-	-	-
PDL 2/5/6 – Moran Unit	49.5%	3.3	-	4.0	-
PDL 4 – Gobe Main	10.0%	-	-	-	-
PDL 3/4 – SE Gobe	25.6%	-	-	-	-
PDL 1 – Hides	16.7%	-	-	-	-
Oil fields and Hides GTE reserves		6.1	-	7.3	-
PNG LNG Project reserves	29.0%	10.1	391.2	14.9	560.7
Sub-total undeveloped resources		16.2	391.2	22.2	560.7

TABLE 4: Total reserves and resources summary
Reserves and resources at 31 December 2014^{1,2}
 (Net to Oil Search)

Licence/Field	Oil Search Interest	Oil and Condensate Total ³	Gas Total ⁴	Oil and Condensate Total ³	Gas Total ⁴
	%	mmbbl	bscf	mmbbl	bscf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 – Kutubu	60.0%	19.2	-	23.8	-
PDL 2 – SE Mananda	72.3%	-	-	-	-
PDL 2/5/6 – Moran Unit	49.5%	10.2	-	13.8	-
PDL 4 – Gobe	10.0%	0.1	-	0.1	-
PDL 3/4 – SE Gobe ⁵	25.6%	0.2	17.7	0.5	23.8
PDL 1 – Hides ⁶	16.7%	-	5.0	-	6.9
Oil Fields and Hides GTE reserves		29.6	22.7	38.2	30.7
PNG LNG Project reserves⁵	29.0%	36.5	1,520.6	57.8	2,251.4
Sub-total reserves		66.0	1,543.3	95.9	2,282.0
Contingent resources			1C		2C
PNG LNG Project gas and oil and condensate		-	-	1.7	208.3
PNG Other Gas and oil and condensate ⁷		-	-	22.9	3,186.3
Middle East Other Gas and oil and condensate ⁷		-	-	53.1	134.9
Sub-total resources		-	-	77.7	3,529.5
Total reserves and resources		66.0	1,543.3	173.6	5,811.6

NOTES

- Numbers may not add due to rounding.
- Oil fields proved reserves (1P) and proved and probable (2P) reserves are as certified by independent auditors Netherland, Sewell & Associates, Inc. (NSAI) in 2012 and 2014. 1P PNG LNG Project reserves are as certified in 2008 by independent auditors, NSAI. 2P PNG LNG Project reserves and contingent resources (2C) are based on a combination of independent audit, PNG LNG Project operator and internal assessments.
- Liquids include crude oil, separator and plant condensates.
- For PNG LNG Project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery and fuel and flare.
- PNG LNG Project reserves comprise the Kutubu, Moran, Gobe, SE Hedinia, Hides, Angore and Juha fields. 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 SE Gobe field interest (22.58%). SE Gobe estimates for gas are based on NSAI certification in 2008.
- Hides reserves associated with the GTE Project under existing contract; confirmation of future nominations received in January 2015.
- Other gas, oil and condensate resources comprise the Company's other fields including SE Mananda, Juha North, P'nyang, Kimu, Uramu, Barikewa, Iehi, Cobra, Al Meashar-1, Mananda, Flinders and Taza. These gas resources may include fuel, flare and shrinkage, depending on the choice of reference point.

ADDITIONAL NOTES

- The evaluation date for these estimates is 31 December 2014.
- The following reference points are assumed:
 - Oil field liquids: the inlet to the refinery
 - 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.
- 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.