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### **ASX & Media Release**

## **Seruway PSC - Gurame SE-1X Progress Report No. 1**

### **Key Points:**

- Handover of the Hercules #208 occurred on at 12:00 noon 18<sup>th</sup> September 2012
- Rig under tow to Gurame SE-1X location
- Well expected to spud on or around the 22<sup>nd</sup> September 2012

MELBOURNE, AUSTRALIA (19<sup>th</sup> September, 2012)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) advises that its subsidiary company Seruway Offshore Exploration Limited (SOEL) received handover of the Hercules #208 jack-up drilling rig at 12:00 noon Jakarta time on 18<sup>th</sup> September. The rig is under tow to the Gurame SE-1X location and the well is expected to spud on or around the 22<sup>nd</sup> September. Gurame SE-1X is scheduled to take 35 days to complete on an untested basis.

The Gurame oil and gas discovery has been delineated by six wells, several of which recovered oil from the two target horizons. A modern transition zone 3D seismic survey was acquired by the previous Operator, however no wells have drilled the deeper targets using this data.

MEO selected the Gurame SE-1X location as the lowest risk, drill-ready candidate with the highest probability of advancing the resource towards commercial development. The well will test the two target reservoirs within a structural closure that is substantially higher than where oil samples were recovered in previous wells. MEO expects the target reservoirs at this location to be naturally fractured and gas bearing, a combination which should enhance the potential to achieve a commercial flow rate.

An overview of Gurame is provided overleaf and a detailed technical supplement is attached.

### **MEO's CEO and MD Jürgen Hendrich commented on the announcement:**

*"We are very excited about the prospects of a commercial development based on our assessment of a very significant in place resource at Gurame. There is no question that a substantial in-place resource is present. Notwithstanding that a blow out at the discovery well demonstrated that hydrocarbons are capable of flowing, commercial flow rates under controlled conditions have not yet been achieved. We have designed the well to maximise the chances of achieving a commercial flow rate. If this can be demonstrated, the prospects of developing the Gurame resource and delivering value to shareholders will take a tremendous step forward. We look forward to SOEL undertaking a safe and successful drilling campaign."*

**Jürgen Hendrich**  
Managing Director & Chief Executive Officer

# Gurame Overview, Seruway PSC, Indonesia



The Gurame gas and oil field was discovered in 1968. The first well drilled on the field encountered hydrocarbons and experienced a loss of control (blowout) from the Baong Sandstone. Subsequent wells were drilled in a manner to prevent a recurrence of this unfortunate event. MEO's technical assessment is that the drilling practices employed may have compromised reservoir performance.

Although the blowout demonstrated both the presence of hydrocarbons and the ability of the reservoir to flow at high rates, high mud weights used in the subsequent wells at this time may have damaged the reservoir close to the well bore, leading to uncertainty about reservoir performance. Formation Interval Tests (FITs) on these wells recovered both oil and gas low in CO<sub>2</sub> from several intervals.

The FIT data and all other available other data was collated and evaluated by SOEL under the direction of MEO and resulted in the interpretation summarised in the simplified cross section below.

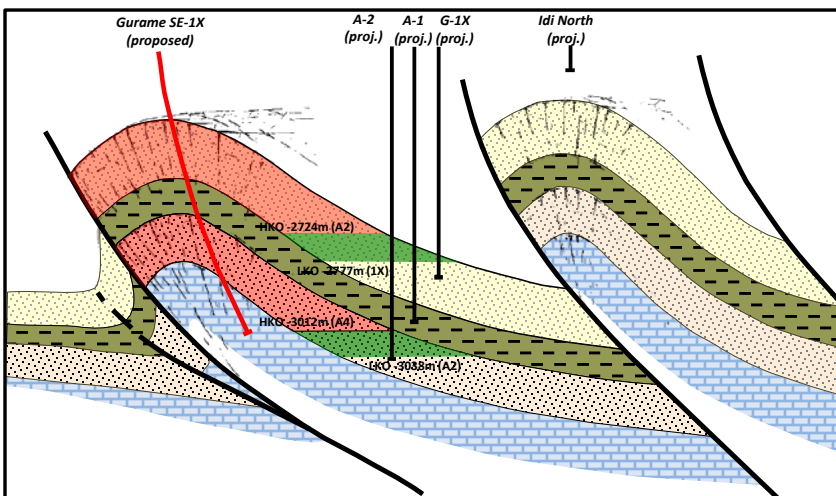


Figure 1. – Simplified Structural Cross Section

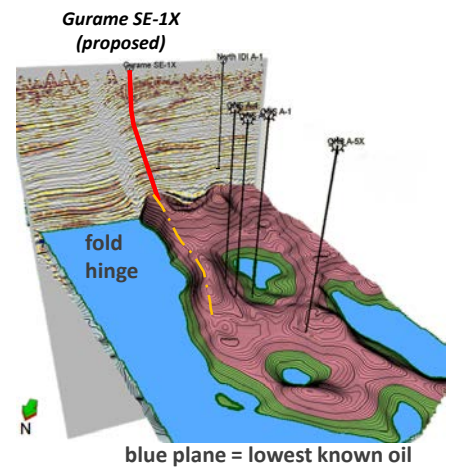


Figure 2. 3D render of Gurame field

Gurame SE-1X has been located near the crest of the closed structure which has been defined by modern 3D seismic data. A major objective of the well is to determine the performance capability of the Baong and Belumai reservoirs. Reservoir performance is likely to be enhanced by the expected development of natural fractures associated with the fold hinge adjacent to the crestal region of the structure. Drilling techniques will be employed to reduce the potential for formation damage.

MEO's internal resource assessment estimated the P50 recoverable resource of the Gurame field to be 0.5 Tcf of low CO<sub>2</sub> gas and 57 mmbbl of liquids.

Figure 2. - Gurame Prospective Resource Assessment - MEO Preliminary Estimate

| Total Baong & Belumai Reservoirs | Unit  | P90 | P50 | P10 |
|----------------------------------|-------|-----|-----|-----|
| Recoverable Hydrocarbon Gas      | Bscf  | 273 | 497 | 863 |
| Recoverable Oil and Condensate   | MMstb | 27  | 57  | 126 |

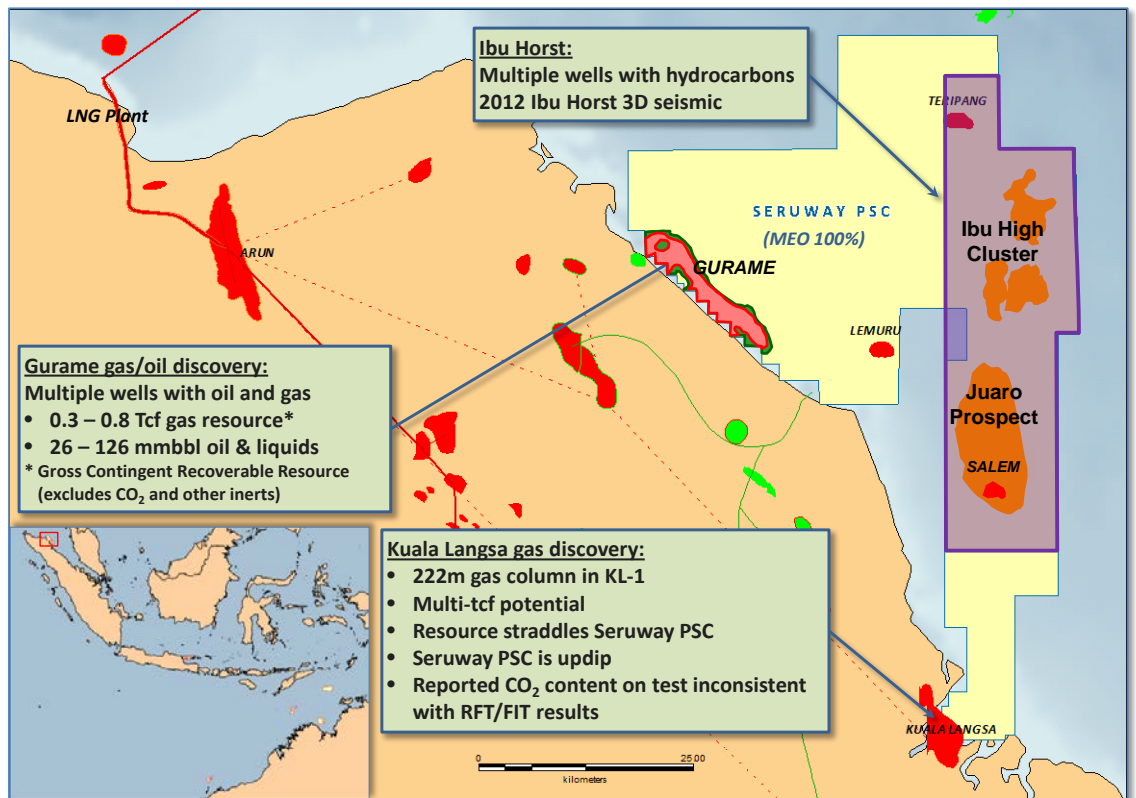
Subject to success of the well, the Gurame discovery represents the most likely current candidate for early development. Initial studies of potential development plans for the P50 resources case have included both a gas only development to supply local regional gas demand and an oil development with future gas cap blowdown.

## Location

**One PSC with multiple low risk opportunities**

The Seruway Production Sharing Contract (PSC) is located within the offshore portion of the North Sumatra Basin, Indonesia and contains multiple existing gas and oil discoveries as well as undrilled prospects. Seruway Offshore Exploration Limited (SOEL), a wholly owned subsidiary of MEO Australia Limited, has 100% equity in the PSC and is the operator. The proposed Gurame SE-1X well will be drilled on the Gurame discovery, following-up on the oil and gas blow out in the 1968 ONS-A1 discovery well, to demonstrate reservoir productivity and establish commercial viability.

### Seruway PSC location map:

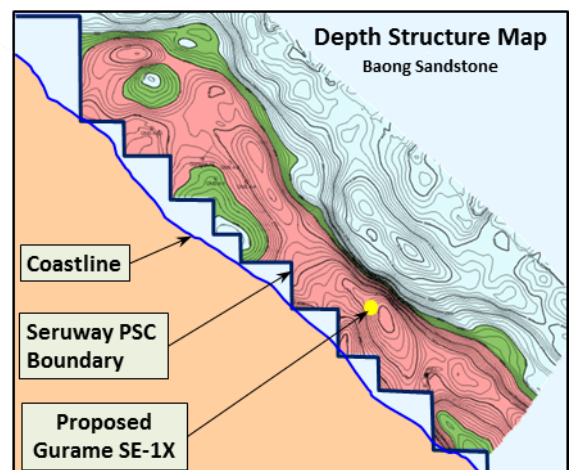


## Gurame SE-1X Summary

**Substantial resource potential**

Gurame SE-1X is designed to test the deep gas potential of the structure, updip of existing well penetrations and will be drilled to a planned total depth of 3425mMD within the Miocene Belumai Formation.

The well will test an estimated (P50) 0.5 Tcf low CO<sub>2</sub> gas resource with a potential 57 MMstb liquids within the Baong Sandstone and Belumai Formation primary targets.



**Gurame Prospective Resource Assessment - MEO Preliminary Estimate**

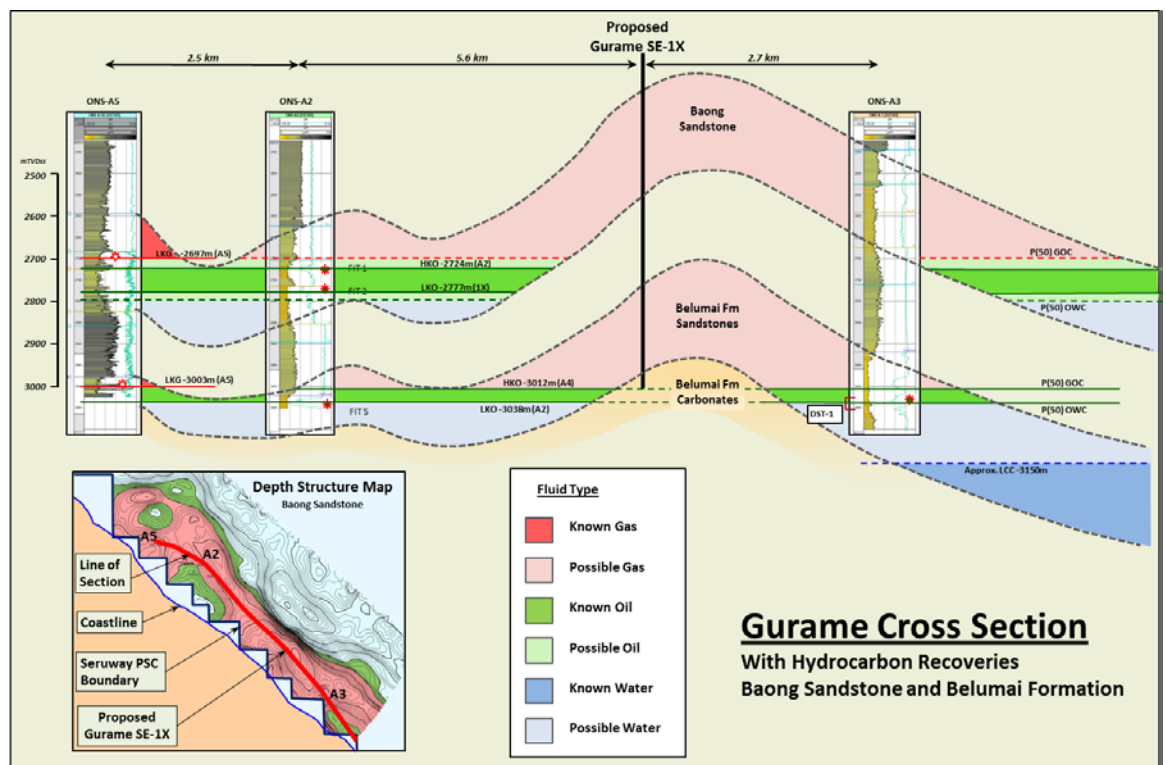
| <b>Baong Reservoir</b>         |       | Unit | P90 | P50 | P10 |
|--------------------------------|-------|------|-----|-----|-----|
| Recoverable Hydrocarbon Gas    | Bscf  |      | 168 | 321 | 583 |
| Recoverable Oil and Condensate | MMstb |      | 18  | 41  | 86  |
| <b>Belumai Reservoir</b>       |       | Unit | P90 | P50 | P10 |
| Recoverable Hydrocarbon Gas    | Bscf  |      | 105 | 176 | 280 |
| Recoverable Oil and Condensate | MMstb |      | 9   | 16  | 40  |
| <b>TOTAL</b>                   |       | Unit | P90 | P50 | P10 |
| Recoverable Hydrocarbon Gas    | Bscf  |      | 273 | 497 | 863 |
| Recoverable Oil and Condensate | MMstb |      | 27  | 57  | 126 |

*Drilling updip from recovered gas and oil.*

The Gurame structure is a prominent 4-way dip closed compressional feature which is faulted on the leading north eastern limb. Previous wells drilled on Gurame were located well down dip on the structure, outside of local closure but still recorded significant recoveries of oil and gas from within the Miocene Baong Sandstone and Belumai Formations. Definitive results from these wells were hampered by the fact that the wells were drilled highly overbalance due to the blow-out in the original 1968 ONS-A1 discovery well, which is thought to have caused significant formation damage.

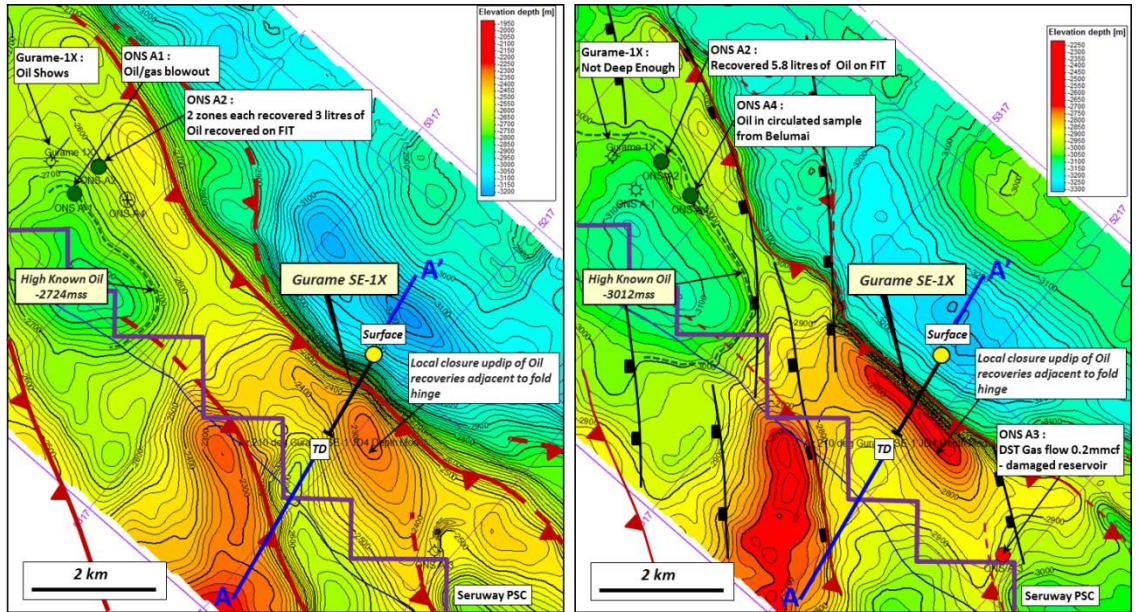
| Well      | Year | Hydrocarbon Recoveries                 |
|-----------|------|--|
| ONS-A1    | 1968 | Oil & Gas blow out - Baong Sandstone   |
| ONS-A2    | 1968 | Oil & Gas recovery - Baong and Belumai |
| ONS-A3    | 1969 | Gas flow - Belumai                     |
| ONS-A4    | 1969 | Oil circulated in mud                  |
| ONS-A5    | 1972 | Gas flow – Baong & Belumai             |
| Gurame-1X | 2008 | Oil shows in Baong. TD above Belumai   |

**Gurame schematic cross section:**



Gurame SE-1X has been located to intersect the prospective deep reservoir section structurally up dip from existing well control, near the crest of the closed structure which has been defined by modern 3D seismic data. A major objective of the well is to determine the performance capability of the Baong and Belumai reservoirs. Drilling techniques will be optimised to limit formation damage.

**Up dip local anticlinal closure well defined on 3D seismic at two reservoir levels.**



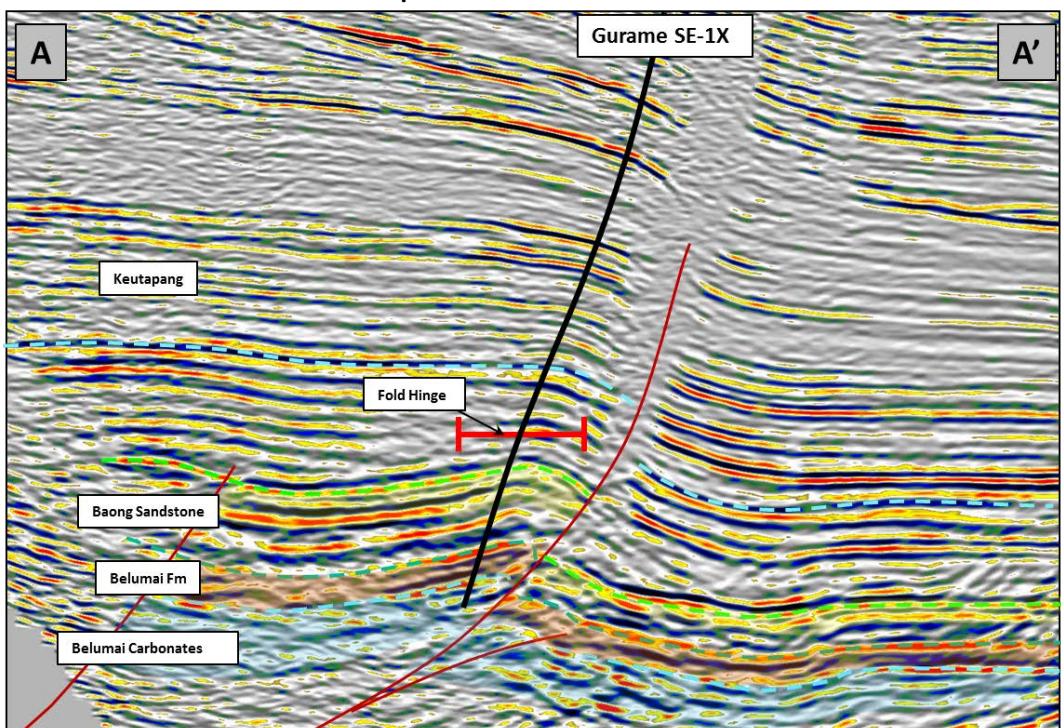
Depth Structure Map – Top Baong Sandstone

Depth Structure Map – Top Belumai Formation

**Objective is to demonstrate deliverability of hydrocarbons at commercial rates**

Objectives of the well are to establish the presence of hydrocarbon within local trap and to demonstrate reservoir deliverability at sufficient rates that would lead to a commercially viable development. Alur Rambong-1, located approximately 17km to the west, tested 21 mmcf/d of gas with 600 BPD of associated liquids from the Baong Sandstone in a similar trap setting, demonstrating that the reservoir is capable of production at commercially viable rates if the well is drilled in the optimum structural position. The well is being drilled approximately 375m updip of the highest known oil recovery from the Baong Sandstone and as such is expected to intersect the gas cap within a 235m thick gross reservoir interval.

**Gurame SE-1X Well Profile on dip 3D Seismic Line**



**Positioned on crest of structure close to fold hinge**

**Well Targets**

The well is planned to be drilled from a surface location in 10m of water and be deviated toward the south west to intersect the primary objectives of the Baong Sandstone and Belumai Formations within structural closure. The shallower Keutapang and Serula Formations form a secondary objective within the shallow section and have been proven to be productive on the north western end of the greater structure (ONS-A5). The deeper Belumai Carbonates form an additional secondary objective of the well and have the potential to be a separate or connected reservoir to that already established within the Belumai clastics. This interval is productive at the giant Arun field located approximately 55 km to the west

**Rig contracted**

The Hercules #208 shallow water jack-up rig has been contracted to drill the Gurame SE-1X exploration well on the Gurame gas and oil discovery.

**Commercialisation****Attractive fiscal terms**

The Seruway PSC enjoys favourable fiscal terms with an after tax contractor take for oil of 25% and for gas of 40%.

**Growing domestic gas demand – increasing gas prices**

Domestic North Sumatra gas demand is currently greater than 120mmscd per day and is growing quickly with significant consumption from power and fertiliser industries. Additionally, with Indonesia now a net importer of energy, the Indonesian government and Pertamina have been renegotiating existing gas sale contract pricing to be commensurate with world competitive pricing, benchmarking new gas sales to commercialise internal gas resources.

**Stand-alone development concept.**

The Gurame development concept is for subsea-wells tied back to a stand-alone offshore production facility, incorporating gas conditioning and separation. In a gas development scenario, the gas production and delivery infrastructure construction would be accelerated to meet industrial customer demand. Current scoping provides for an offshore pipeline to transport gas to customers facilities however, the potential to optimise this by potentially using existing onshore infrastructure may be feasible. In an oil and gas development scenario, oil would initially be produced and off-taken via a floating storage and offloading vessel (FSO) with gas re-injected for enhanced oil recovery. After optimised oil production the gas cap would be blown down, with gas sold to domestic industrial consumers. Further appraisal drilling may be required to establish deliverability for production of the oil leg.

**Attractive returns**

Under conservative development and economic assumptions successful appraisal of the Gurame field yields attractive returns to the contractor, underpinning the commercial development of the resources.

**Contacts**

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