

# Buffalo PSC Signed & Treaty Ratified

2 September 2019



## Highlights

- **Production Sharing Contract signed in Dili**
- **Maritime Boundary Treaty between Australia and Timor-Leste ratified on 30<sup>th</sup> August 2019**
- **Carnarvon achieved conditions equivalent to those under Australian regulatory regime**
- **Clarifies way forward on drilling and development for Buffalo oil field redevelopment**

Carnarvon Petroleum Limited ("Carnarvon") (ASX:CVN) is pleased to provide an update on the Buffalo project following signing of the Production Sharing Contract ("PSC") and ratification of the Maritime Boundary Treaty ("MBT") by the governments of Australia and Timor-Leste.

On 6 March 2018, the governments of Australia and Timor-Leste signed the MBT (see ASX announcement of 7 March 2018), that altered the maritime boundary between the two countries affecting the WA-523-P permit in which Carnarvon has 100% equity. The WA-523-P exploration permit has now been split in two with a portion (including the Buffalo oil field) changing from its Australian jurisdiction to being exclusively in the Timor-Leste jurisdiction (see Map Figure 1).

Following extensive negotiations with the governments of Timor-Leste and Australia, and in consultation with the respective government regulators, Autoridade Nacional do Petróleo e Minerais ("ANPM") and National Offshore Petroleum Titles Administrator ("NOPTA"), Carnarvon successfully signed a PSC confirming ongoing title to the Buffalo oil field and the surrounding exploration acreage.

Carnarvon MD Mr Adrian Cook, who signed the PSC on behalf of the Company, said

*"we are pleased to have secured this next phase in the Buffalo oil field re-development with the signing of the PSC. Enjoying equivalent terms as to those in Australia allows Carnarvon to continue to work towards drilling a Buffalo well and achieving first oil in this field as soon as practical."*

*The team at Carnarvon are looking forward to a close working relationship with the Timor-Leste authorities as together we bring this field into production.*

*In the meantime, Carnarvon is set to grow its office in Dili, the capital of Timor-Leste, and invest in this country which has been so welcoming to our Company and our people.*

*The Buffalo project and the Dorado project in Australia are two exciting advancements for Carnarvon and its shareholders and are expected to provide substantial interest for all stakeholders in the years ahead."*

Following the signing of the PSC this week, the governments of Australia and Timor-Leste exchanged diplomatic notes on the 30<sup>th</sup> August 2019 confirming the ratification of the MBT and bringing into force the revised maritime boundaries between the two countries.

One of the key conditions of the MBT was that affected parties, such as Carnarvon Petroleum, would be granted security of title in Timor-Leste with conditions equivalent to those previously in place under Australian domestic law.

With the signing of the PSC over the Buffalo oil field and surrounding exploration acreage, Carnarvon has clarity on the way forward for this project. The TL-SO-T 19-14 PSC (hereafter “Buffalo PSC”) has a similar net-back after government taxes and duties when compared to Australia’s offshore PRRT regime, and clarity regarding approvals necessary to drill and produce oil in Timor-Leste.

The transition from Australia to Timor-Leste also included recognition for previous work undertaken while WA-523-P was under the Australian regulatory regime. In particular, the approval of the Environmental Plan to drill three wells into the Buffalo field was approved by Australia’s National Offshore Petroleum Safety and Environmental Management Authority (“NOPSEMA”) in March of this year. In this matter, Carnarvon has confirmation from Timor-Leste of the continuation of these plans after the ratification of the MBT.

Similarly, any work commenced prior to the ratification for the well planning for the first well into the Buffalo field is allowed as cost recovery under the Timor-Leste regime.

Carnarvon will continue to work within the guidelines of the original Work Program and Budget as agreed with NOPTA upon entering into the WA-523-P title in 2016, albeit with the work program spread over the PSC and Australian permit.

<b>Permit &amp; PSC equity holder:</b>	<b>Carnarvon Petroleum (Operator)</b>	<b>100%</b>
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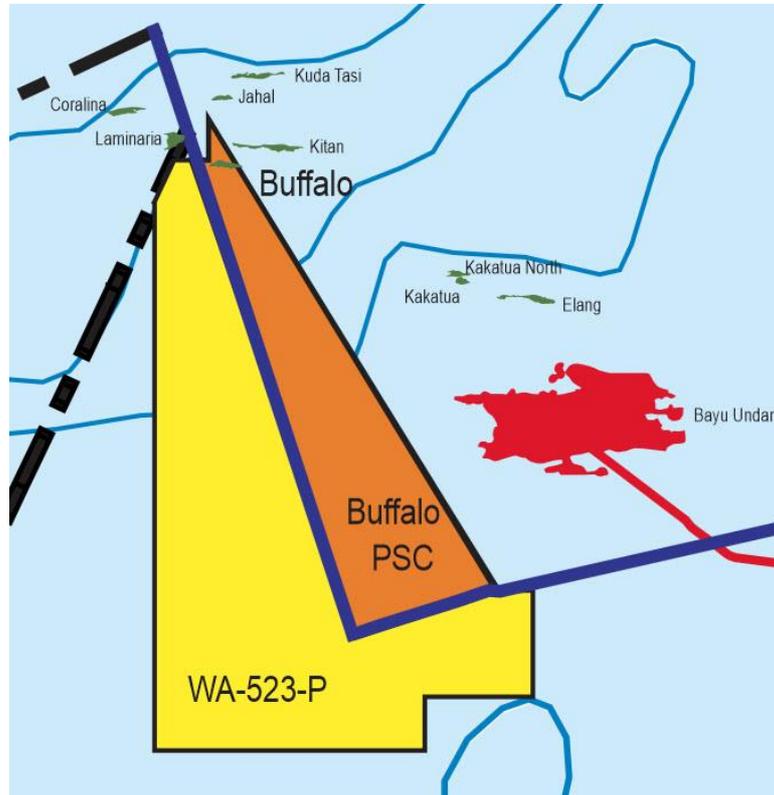
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Figure 1 – Map of WA-523-P (remaining Australian portion) and the Buffalo PSC



## **About Buffalo Redevelopment Project**

Carnarvon was awarded the WA-523-P acreage in May 2016 for an initial six-year term which included the previously developed Buffalo field. The Field was discovered by BHP in 1996 and subsequently developed using four wells drilled from a small, unmanned wellhead platform installed in 25 metres water depth, tied back to an FPSO. Production commenced in December 1999 at production rates up to approximately 50,000stb/d and terminated in November 2004 after the production of 20.5MMstb of highly-undersaturated, light oil (53°API) from the Jurassic-age Elang Formation. All existing facilities and wells were decommissioned and removed prior to Carnarvon being awarded the block.

Carnarvon initially focussed its technical work on reprocessing of the 3D seismic dataset using state-of-the-art full waveform inversion (FWI) technology. This work supports the interpretation of a significant attic oil accumulation remaining after the original development, based on sub-optimal positioning of early wells using poorly processed seismic data. Reservoir modelling has been conducted using latest structural interpretation and available well data, including an extensive history-matching effort to calibrate model/well performance to production rates and watercut development (governed by strong aquifer drive) observed during the original production period. Based on this work, independently audited volumetric estimates of contingent resources in the Buffalo oil field are 31.1 million barrels (2C) with high and low estimates of 15.3 million barrels (1C) and 47.8 million barrels (3C) – see ASX announcement of 28 August 2017.

There is a range of options to redevelop the field and scoping studies show that the redevelopment of the Buffalo oil field is economic at current oil prices; even at the 1C outcome. This indicates the project to be low risk, and gives Carnarvon the confidence to advance the project.

## **About Carnarvon Petroleum**

Carnarvon Petroleum Ltd is an oil and gas exploration company, listed on the Australian stock exchange (ASX: CVN). Carnarvon has an extensive acreage position in the North West Shelf of Western Australia, with equity positions in 12 blocks covering a total area of 36,000 km<sup>2</sup> at varying interest levels. Carnarvon has discovered oil, gas and condensate at the Roc and Phoenix South structures and is working with partner Quadrant Energy on bringing those to commercialisation.

## **About ANPM**

Autoridade Nacional do Petróleo e Minerais (ANPM) is Timor-Leste public institution responsible for managing and regulating petroleum and mining activities in Timor-Leste area, both offshore and onshore. The ANPM is to establish and supervise compliance with the enacted rules and regulations covering the exploration, development, production, transportation and distribution of petroleum, natural gas resources and mineral.