

6 January 2015

**ASX Announcement**

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**Kangaroo-2 Appraisal Well  
Progress Report No 7**

**Kangaroo-2 Flows Oil at 3,700 stb/d from the Paleocene Reservoirs  
Adding to Earlier Maastrichtian Success**

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Karoon Gas Australia Ltd's Kangaroo-2 appraisal well, located in exploration Block S-M-1165, confirmed a 250 metre gross (135 metre net) oil column in Paleocene and Maastrichtian aged reservoirs, announced 26 November 2014. Karoon is the operator and has a 65% interest in the jointly held Block S-M-1165, Santos Basin, Brazil. Pacific Rubiales Energy Corp holds the remaining 35% interest.

As at 0600 hrs AEST on 6 January 2015, production testing over the Paleocene A, B and C oil bearing reservoirs was complete. Preparations are underway to commence a side-track program to better define the resource size and recovery factors. The results from the test are as follows:

**Oil Flow Rate**

Production test DST-2A was conducted in the Paleocene A, B and C sandstone reservoirs over the intervals 1,663- 1,681 mRT, 1,695-1,729 mRT and 1,735-1,753 mRT with a 12 hour main flow period. The maximum oil flow rate attained was 3,700 stb/d (stabilised rate of 3,450 stb/d) through an 88/64" choke with a flowing tubing head pressure of 270 psia, a gas-oil-ratio of 540 scf/stb.

Production test DST-2 was conducted in the Paleocene C sandstone reservoir over the interval 1,735-1,753 mRT. The maximum oil flow rate attained was 2,500 stb/d through a 44/64" choke with a flowing tubing head pressure of 425 psia and a gas-oil-ratio of 450 scf/stb. The well was then flowed on a 40/64" choke at a stabilised rate of 1,820 stb/d with a flowing tubing head pressure of 420 psia, a gas-oil-ratio of 450 scf/stb. At the end of a main 24 hour flow period, the well was shut-in for a 48 hour pressure build-up period.

### **Oil Specification**

DST-2A produced a 33° API oil with zero CO<sub>2</sub>, H<sub>2</sub>S, water or sand produced.

DST-2 produced a 31° API oil with zero CO<sub>2</sub>, H<sub>2</sub>S, water or sand produced.

### **Production Well Potential**

Based on the oil rates obtained in DST-1A (Maastrichtian section) and DST-2A (Paleocene section), Managing Director, Mr Robert Hosking said *"Karooon is very pleased with the production testing results from Kangaroo-2. Based on the flow rates achieved in both the Paleocene and Maastrichtian reservoirs, a vertical production well could produce 6,000 to 8,000 stb/d from the combined reservoirs. In addition, horizontal production wells could be expected to produce at higher rates."*

### **Kangaroo-2 Side-Track Program**

After the well testing string is removed and the Paleocene reservoirs are plugged back with cement and a cement retainer, the well will be side-tracked in both a down-dip and up-dip location in order to better define the resource size and recovery factors.

Side-track-1 will be drilled to a down-dip location to target the Paleocene and Maastrichtian reservoirs on the eastern side of an interpreted north-south trending fault, and to evaluate potential hydrocarbon accumulations in the Campanian. Wire-line logs and a pressure survey will be conducted.

Side-track-2 will be drilled into Paleocene and Maastrichtian reservoirs in an up-dip location to test reservoir and hydrocarbon potential towards the salt wall.

The information obtained from Kangaroo-2 will be important for assessing the commerciality of the Kangaroo oil field and will be valuable for a Front End Engineering and Design ('FEED') phase bringing the project a step closer to commerciality.

The Kangaroo-2 appraisal well is located in exploration Block S-M-1165, approximately 300 metres up-dip and 4 kilometres south of Kangaroo-1 and is the first well in the Santos Basin exploration and appraisal drilling campaign.

### **Forward Program**

Following the completion of all operations on the Kangaroo-2 appraisal well, the rig will be moved to drill Kangaroo West-1 exploration well (the second firm well in the program) and evaluate the prospect approximately 4.5 kilometres distant on the western side of Kangaroo salt structure. Due to the large size and proximity to Kangaroo, a successful outcome at Kangaroo West-1 would materially add to any possible development of the Kangaroo oil field.

The exploration and appraisal drilling campaign is expected to continue through first half 2015.

The rig contract provides Karoon with 2 firm wells plus 2 option wells, and, in the event of a successful drilling outcome in the first 2 wells provides maximum flexibility for further appraisal of the Kangaroo oil discovery, additional drilling at Kangaroo West or possibly targeting other prospects.

The salt flank play was first proven by Kangaroo-1 with the intersection of a 76 metre gross oil column and oil recovered to surface from wireline DSTs. Results of the Kangaroo-2 further confirm the viability of the play. Kangaroo West-1 is located on the western flank of the same salt structure as Kangaroo-1 and has the same trap type and reservoir and seal intervals that have been mapped into the prospect from surrounding wells.

The 'Olinda Star' semi-submersible rig is drilling the entire campaign.

### **About Karoon Gas Australia Ltd**

Karoon Gas Australia Ltd is an international oil and gas exploration company with projects in Australia, Brazil and Peru and a member of the S&P/ASX 200 Index.

Karoon looks for high equity interests in early stage exploration opportunities containing large potential targets in basins with proven Petroleum Systems. Karoon strives to create shareholder value through the geotechnical work-up of the acreage, leveraging its high equity interests to explore and appraise these opportunities to achieve commercialisation.

While the company's core strategy is identifying off-shore early stage exploration opportunities, Karoon's longer-term strategy is to retain residual equity interests in the assets as they go into production.

**For further information please see the Karoon website or contact:**

Scott Hosking | Company Secretary  
T: +613 5974 1044  
E: [shosking@karoongas.com.au](mailto:shosking@karoongas.com.au)

James Wootton | Investor Relations  
T: +613 9616 7520  
E: [jwootton@karoongas.com.au](mailto:jwootton@karoongas.com.au)

Ian Howarth | Collins Street Media  
T: +614 0782 2319  
E: [ian@collinsstreetmedia.com.au](mailto:ian@collinsstreetmedia.com.au)

## **Forward looking statements**

This announcement may contain certain “forward-looking statements” with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward looking statements can generally be identified by words such as ‘may’, ‘could’, ‘believes’, ‘plan’, ‘will’, ‘likely’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward looking statements as actual outcomes may differ materially from forward looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements speak only as of the date of this announcement.

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