

Oil Search Flows Slip On Asset Sale

Oil Search has reported a 17.7% fall in third-quarter output due to an asset sale but said its key Papua New Guinea (PNG) LNG project was progressing on schedule. Oil Search also said it is in an excellent position to weather the current financial storm and falling oil prices with a cash position of \$550.2 MM at the end of the September quarter and no debt. The company has also signed documentation with a syndicate of 16 banks for a \$648 MM five-year-revolving-credit facility.

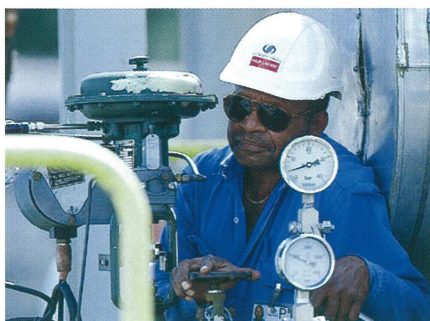
Oil Search Managing Director Peter Botten said the terms offered and the strength of the banking syndicate, which includes all four major domestic as well as international banks, highlighted the attractiveness of PNG as a place to invest.



Oil Search's Hides facility in the PNG highlands

"Together with our already strong balance sheet, this places Oil Search in an excellent position to fund its share of PNG LNG project capital costs", he said.

Oil Search, with Santos MRDC, Eda Oil, and Nippon Oil, is a partner in ExxonMobil subsidiary Esso Highlands Limited's proposed 6.3 MMtpa, which moved to a front-end



Oil Search has staked its future on the development of the PNG LNG project.

engineering and design (FEED) phase in May. Interests will change when the PNG Government nominees join as equity participants at a later date.

The project is Oil Search's first foray into the LNG sector and is seen as a key development which would monetise its vast gas resources in PNG. It said all partners remained fully committed to the development and that the \$11 B project is on track for a final investment decision to be made in late 2009.

The plant, an integrated development which includes upstream (gas processing facilities and pipelines) and downstream (LNG plant facilities) components, will be constructed approximately 20 km northwest of Port Moresby on the Gulf of Papua.

The scope of the downstream EPC contract, a competition process between Bechtel of Houston, Texas and Chiyoda of Yokohama, Japan, will include the facilities for inlet processing, treating, liquefaction, storage, and

loading of 6.3 MMtpa of LNG. The successful bidders, to be named by late 2009, are expected to commence construction in 2010.

A joint venture of KBR and WorleyParsons, 'Eos', is undertaking the upstream FEED studies and EPC contracts for this work scope are also expected to be awarded by late 2009.

Oil Search said, despite concerns of a global economic slowdown and sharp falls in the oil price, buyer interests in the project remained strong and the joint venture was targeting signing initial agreements with customers by late 2008 or early 2009.

"Production from our oil fields is stable and is relatively low cost, with average cash costs of approximately \$12 bbl. This provides us with substantial insulation from lower oil prices", Botten said.

The company said quarterly output of 2.11 MMboe was largely unchanged from the previous quarter, bringing total production in the first nine months of the year to 6.431 MMboe.

Oil Search did not give an update to its 2008 production guidance, which it said in July was expected to be within a previous forecast range of between 9 MM and 9.5 MMboe despite the sale of the assets in the Middle East and North Africa earlier this year.

Oil Search said sales revenue for the quarter rose 16% from a year ago at \$206.9 MM, bringing year-to-date revenue to \$673.6 MM. ■