Relinquishment Report

PL702 Billing

Moving more. Moving the future.

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1 Key license history

The Production License (PL) 702 was awarded to OMV (Norge) AS (Operator - 60%) and PGNiG Upstream International AS (40%) (herein after - PGNiG) on June 21, 2013 through the 22nd Concession Round. The license was granted for an initial period of 5 years valid to June 21, 2018. The PL702 is located in the Vøring Basin, Norwegian Sea (Figure 1.1).

The work program in the initial period was as follows:

- Phase 1 - 2 years - Purchase 3D seismic data across the entire license, Drill or drop decision (DOD)
- Phase 2 - 2 years - Drill exploration well
- Phase 3 - 1 year - Concretize or drop decision (BoK)

An application for one year extension for phases 1-3 was submitted to the Ministry of Petroleum and Energy on May 6, 2014. The licence extension was granted by the Ministry on October 10, 2014. The new date for DoD decision was set to June 21, 2016. Furthermore, the intial period termintes on June 21, 2019.

List of held Exploration Committe (EC) and Management Committe (MC) meetings in the license is provided below:

- EC/MC Meeting - 11.09.2013
- EC/MC Meeting - 22.11.2013
- EC Meeting - 28.01.2014
- EC/MC Meeting - 12.11.2014
- EC/MC Meeting - 18.11.2015
- EC/MC Meeting - 20.04.2016

The phase 1 license work program obligation was fulfilled by the purchase of 3D seismic data and completion of various G&G studies. In addition, the PL702 partnership decided to re-process and merge seven 3D surveys (with approximate size of 5500 km2) in order to generate a uniform Mega-Merge dataset encompassing the identified prospects and leads, discoveries and wells in the area. Based on the results from the interpretation of the re-processsed 3D seismic data and extensive G&G studies of the identified prospects, the volume potential recognized within the PL702 licence area is not sufficient for a drill decision. The licence Management Committee has concluded to relinquish the licence Figure 1.1.

Figure 1.1 PL702 Area Map

Area map outlining PL702, as well as the Billing and Nerthus prospects. The blue polygon outlines OMV15M02 3D seismic survey, which the Joint Venture re-processed in 2014-2015.

2 Database

The seismic database consists of several 3D seismic datasets of which the main one is the OMV15M02, all are listed in Table 2.1 and also illustrated in Figure 2.1. In 2013, the PL702 Joint Venture (JV) purchased the field data for 3D seismic datasets listed in Table 2.1 and in conjunction with PL703 began a regional - 5500km^2 - merged PSTM reprocessing (OMV15M02) in addition to license work committment. The OMV15M02 dataset extends beyond the license boundaries and ties in wells that are key for the evaluation. The main objective for the reprocessing of the data was to generate a high quality dataset with optimal imaging for performing detailed interpretation and conducting AVO analysis of the prospect in the license area.

Table 2.1 Seismic Databse

Seismic Database - 3D			
Survey	Vintage	Area (km^2)	Quality
OMV15M02	2015	5500	Good - Excellent
SH1001M11	2011	4524	Good
GRE02	2002	822	Fair-Good
ST0827	2008	855	Fair-Good
BG0904	2009	1347	Fair-Good
SG9604	2004	1828	Fair-Good

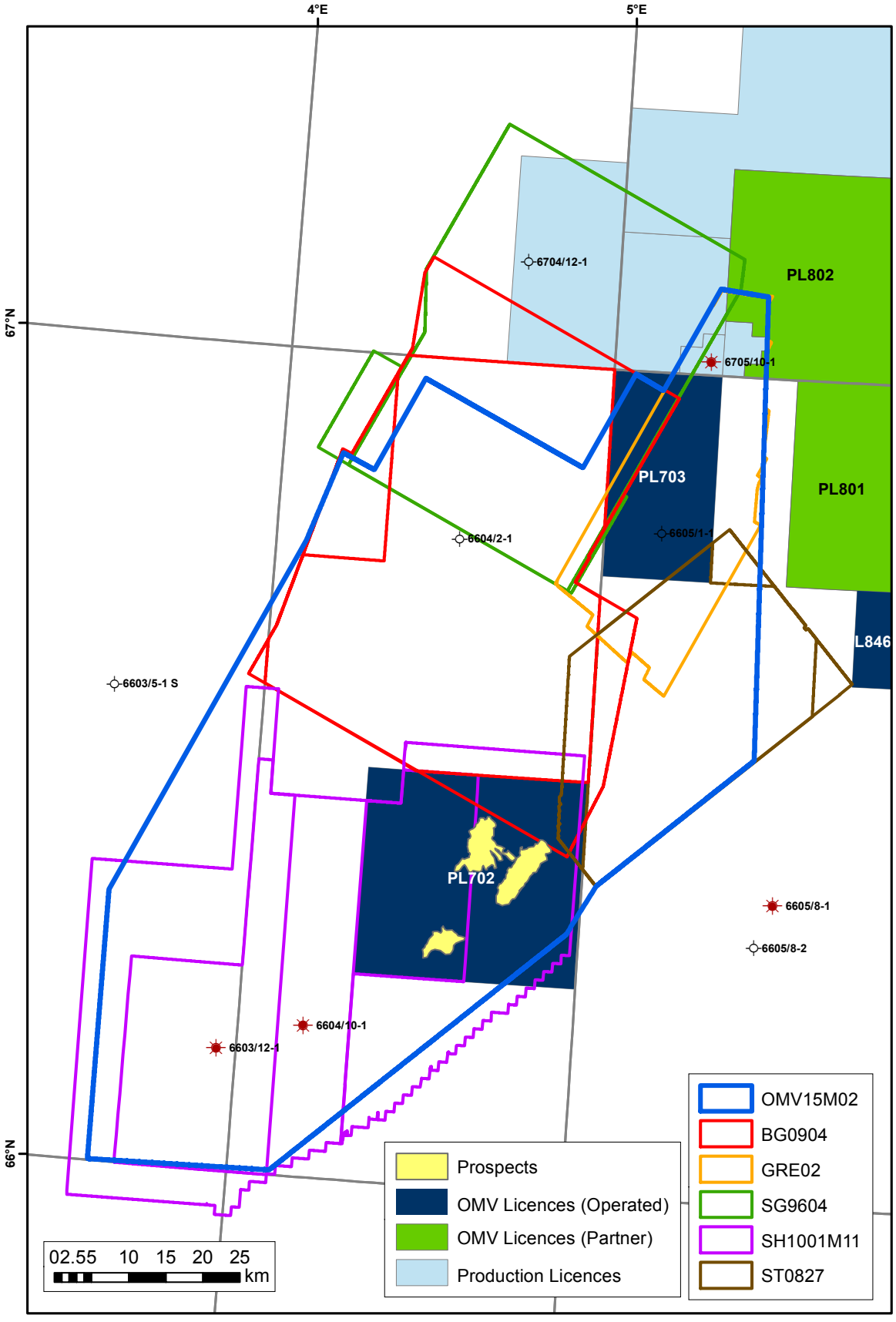

Figure 2.1 Seismic Database

The OMV15M02 3D seismic dataset is well balanced and has consistent amplitude and phase (close to zero phase) across the entire survey and therfore, is reliable for sesimic AVO and Inversion studies. Furthermore, the 3D dataset has higher resolution and better continuity compared to pre existing sesimic datasets. The latest mapping and prospectivity evaluation for the licence was predominantly based on this dataset.

The well database (Table 2.2 and Figure 2.2) includes key wells in the greater Vøring Basin area; emphasis has been on wells that had Cretaceous sandstones as primary target.

The wells have been incorporated in a number of studies for the license prospectivity evaluation, as described later in the section 3 Review of geological framework.

Table 2.2 Well Database

Well Name	Drilled	TD (MDmRKB)	Formation	Well Status	Operator	CPI	Well Tie	Well Core	HC Analysis	Field/Discovery
6603/5-1	2010	5068	Lange Fm.	Dry (P&A)	Norske Shell	Yes	Yes			
6603/12-1	2009	3820	Springar Fm.	Gas (P&A)	Norske Shell	Yes	Yes	Yes	Yes	Gro
6604/2-1	2011	3551	Springar Fm.	Dry (P&A)	BG Norge	Yes	Yes	Yes		
6604/10-1	2010	3715	Springar Fm.	Gas (P&A)	Norske Shell	Yes	Yes	Yes	Yes	Gro
6605/1-1	2008	3944.5	Nise Fm.	Shows (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Obelix
6605/8-1	2005	4508	Lange Fm.	Dry (P&A)	Norsk Hydro	Yes	Yes	Yes	Yes	Stetind
6605/8-2	2008	4196	Lange Fm.	Shows (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Stetind
6607/2-1	2007	3526	Springar Fm.	Dry (P&A)	Eni Norge	Yes	Yes			
6607/5-2	1991	4666	Kvitnos Fm.	Dry (P&A)	Esso	Yes	Yes	Yes		
6704/12-1	1999	4094	Nise Fm.	Dry (P&A)	Saga	Yes	Yes	Yes		
6705/10-1	2009	3775	Lange Fm.	Gas (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Asterix
6706/6-1	2003	3451	No Formal Name	Gas (P&A)	Esso	Yes	Yes	Yes	Yes	Hvitveis
6706/11-1	1997	4306	Lange Fm.	Shows (P&A)	Statoil	Yes	Yes	Yes		
6706/12-1	2008	3950	Kvitnos Fm.	Gas (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Snefrid South
6707/10-1	1997	5039	Kvitnos Fm.	Gas (P&A)	BP Norway	Yes	Yes	Yes	Yes	Aasta Hansteen
6707/10-2A	2008	4850	Kvitnos Fm.	Gas (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Haklang West
6707/10-2S	2008	3365	Nise Fm.	Gas (P&A)	StatoilHydro	Yes	Yes	Yes	Yes	Haklang

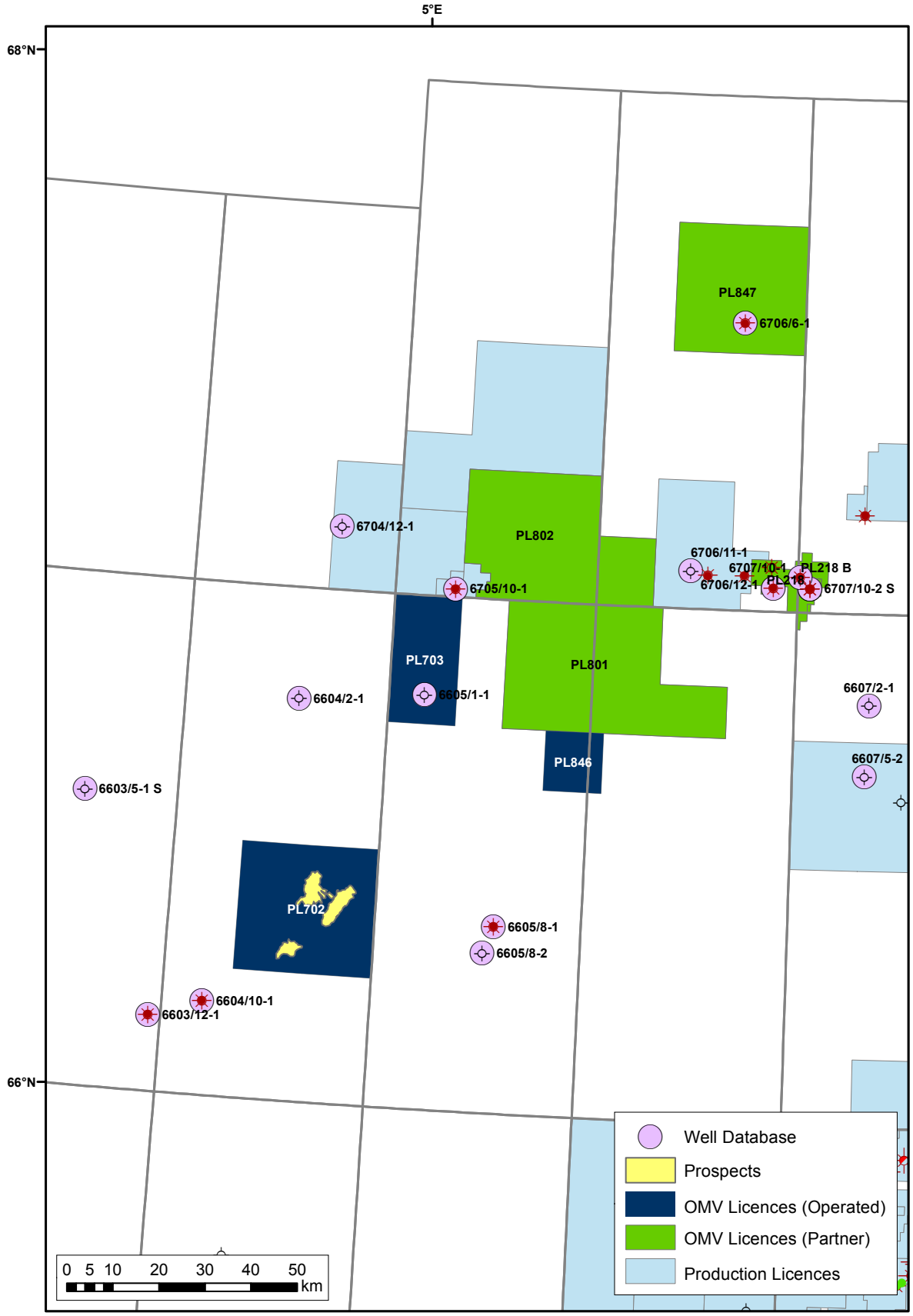

Figure 2.2 Well database

3 Review of geological framework

The main prospect identified in the licence area was the Billing prospect in the Springar Fm. The work on the licence was primarily directed towards evaluation of this prospect. The Billing prospect belongs to NHKU-4 play; it is a part of the depositional system extending from the Nyk High across to the Gjallar Ridge and northward across the Hel Graben. It covers sandstones of Late Cretaceous to Early Paleocene in age. This section summarizes the main results of the geological and geophysical work and special studies carried out during the licence period.

Seismic interpretation

The main regionally interpreted horizons were the Seabed, Top Brygge Fm., Top Tang Fm., Top Springar Fm., Top Nise Fm., Top Lysing Fm. and the Base Cretaceous Unconformity (uncertain interpreted pick). A detailed interpretation was carried out at the prospect level based on the re-processed 3D seismic dataset (OMV15M02).

Detailed seismic mapping in conjuction with sequence stratigraphic interpretion based on seismic and wells clearly shows that the area of the PL 702 license is sand prone; in fact, the western part of the license is in main fairway of the K78.5 sand (Petrostrat nomenclature, Figure 3.1).

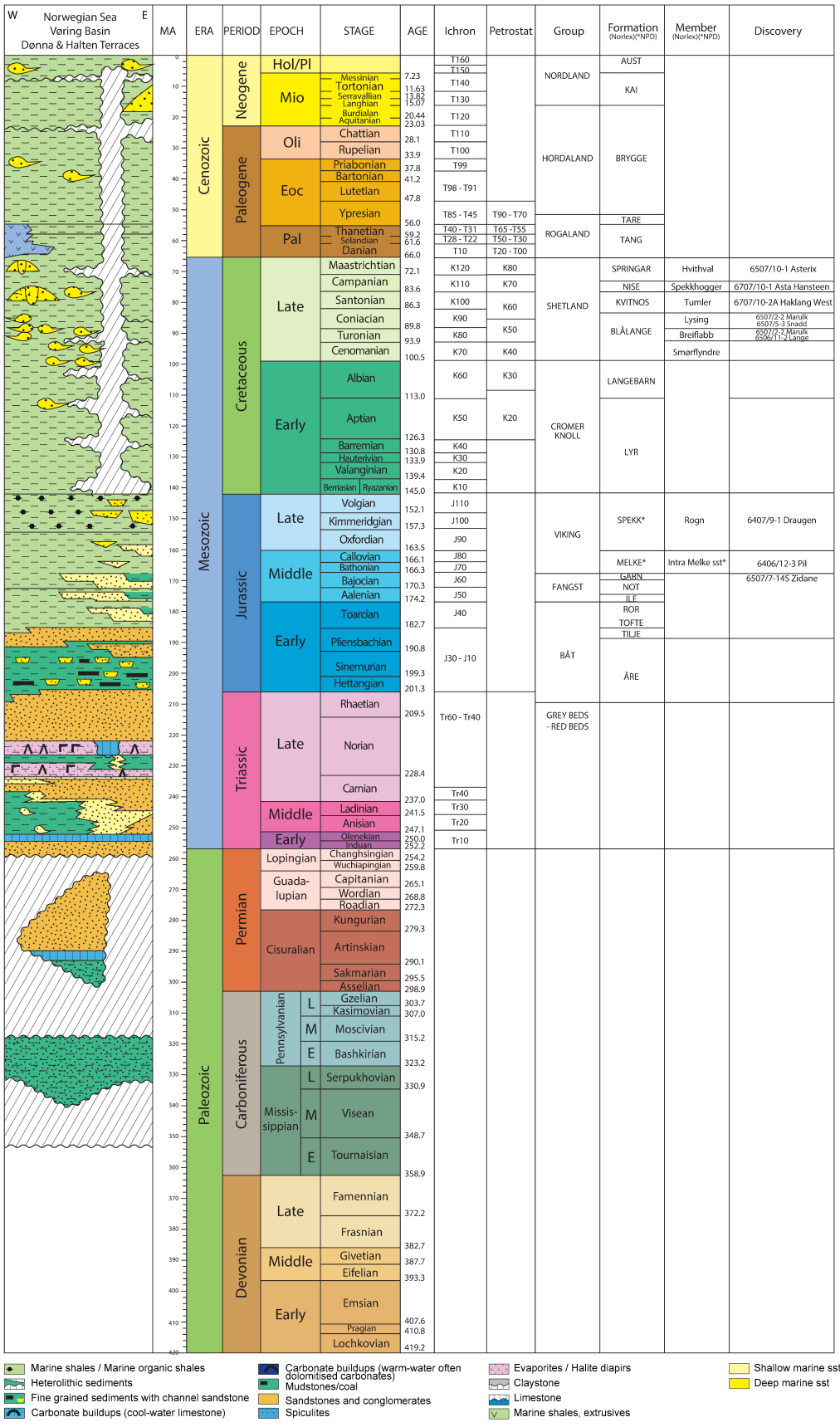

Figure 3.1 Norwegian Sea Chrono and Lithostratigraphic Chart

G&G Studies

In 2013, an updated petrophysical evaluation of 10 wells situated in the greater Vøring Basin was performed by OMV. The main focus of the study was to determine the basic petrophysical properties (clay volume and net reservoir in particular) of the Late Cretaceous Springar Formation. The key results from this study were that there is excellent reservoir quality in the studied interval in the vicinity of the PL 702.

A sequence stratigraphic study based on interpreation of seismic and wells was perfomed with the intention to understand the depositional environment that prevailed during the Late Cretaceous. The work concluded that the area of the PL 702 is in a basinal setting, which has received several thick basin floor fans. Furthermore, the study also aimed at understanding the context of the thick basin floor fan of the K78.5, Late Cretaceous in age, that was drilled in the Gro wells 6604/10-1 and 6603/12-1. A Norwegian Sea stratigraphic chart is embedded in Figure 3.1, illustrating the stratigraphic framework applied by OMV and the adoption of Norlex naming nomenclature of the Mesezoic Lithostratigraphy.

Basin modelling and geochemical data (wells fringing the Halten Terrace and west part of the Barents sea) suggests that the Blålange Fm. of Turonian age have source rock potential where present. The model assumes a 50m thick source is present in the thicker part of the Vøring Basin, which would range in maturity from early oil to dry gas. The modelling indicates that Blålange Fm. is gas prone in the central areas, Vigrid Syncline &Någrind Syncline, and oil to gas prone in the areas to the West of the Helland Hansen Arch and southern extent of Gjallar Ridge, see Figure 3.2.

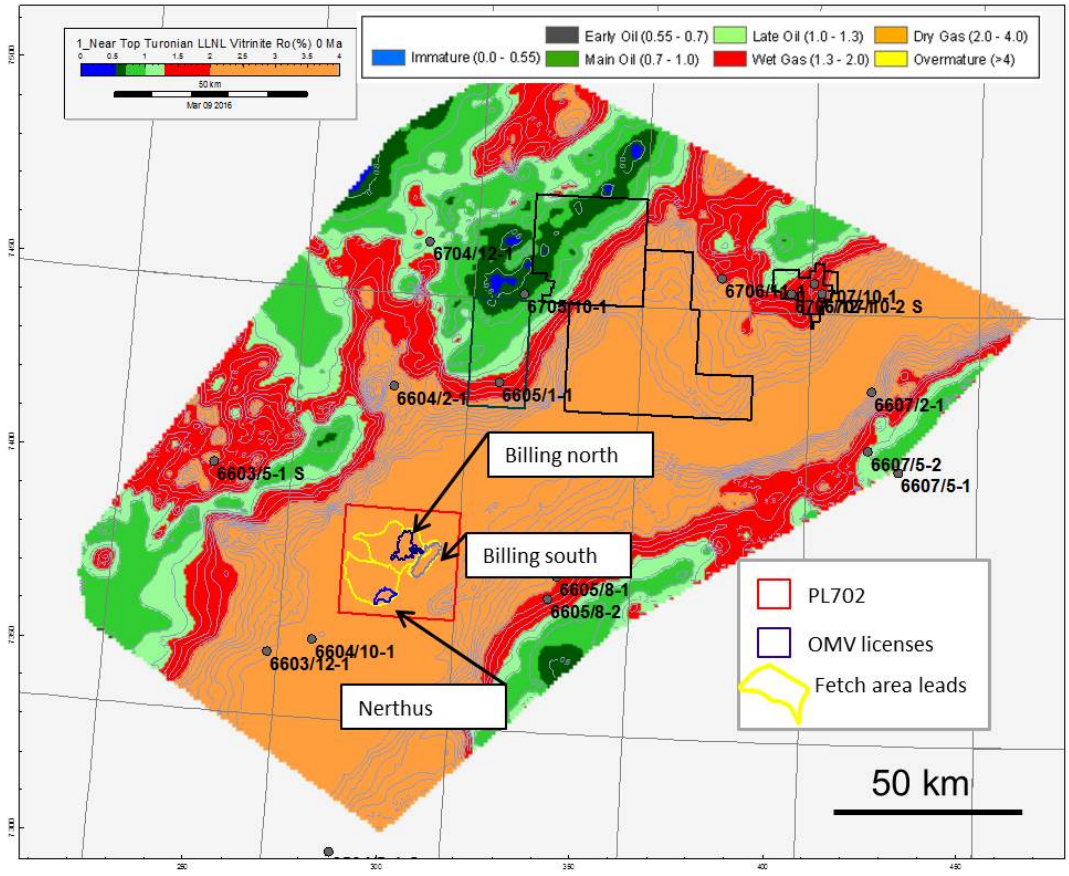

Figure 3.2 Vitrinite Maturity

AVO and Rock Physics studies indicate that the gas filled sands of the Springar Formation, as encountered in the offset wells, exhibit a class III AVO response (i.e. decreace in acoustic impedance and decreas of the Vp/Vs ratio with offset, Figure 3.3) which is the common response for gas saturated sands.

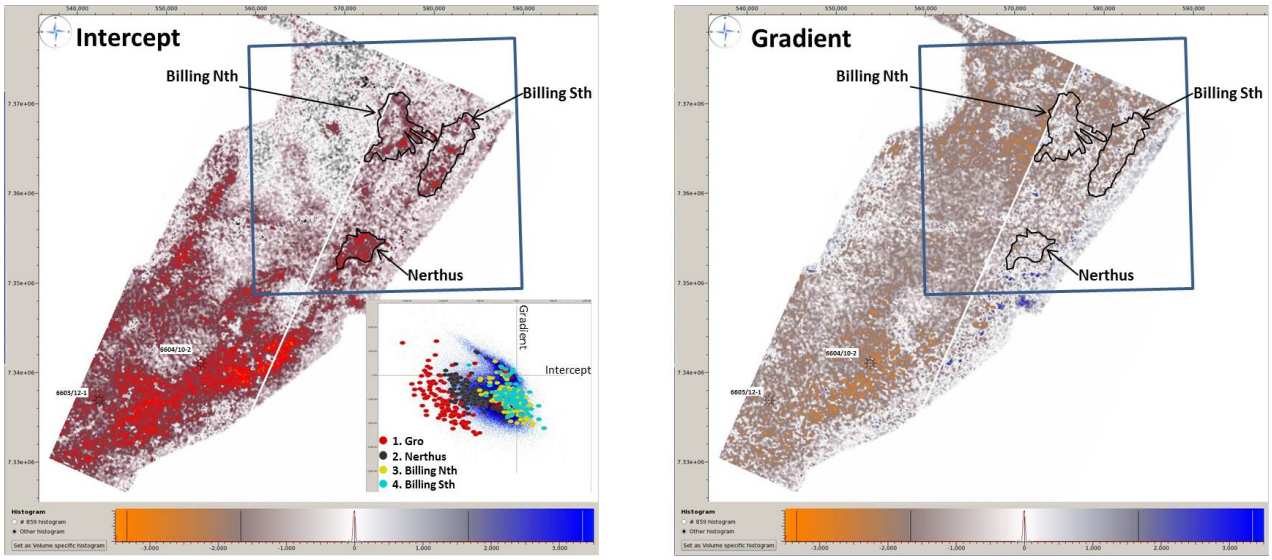

Figure 3.3 Intercept Gradient Maps
Intercept/Gradient for top Reservoir. Only Nerthus and Gro show strong negative intercept values.

In addition, the prospectivity of the Tertiary stratigraphic level has been evaluated. This work concluded that there is no prospectivity within this stratigraphic level in the license as it predominantly consists of claystone (Ooze) interbedded with carbonate stringers.

4 Prospect update

Billing Prospect

The Billing prospect was the main prospect identified in the application document (dated 2012). Figure 4.1 displays the outline of the Billing prospect at the time of application. The prospect was defined as a pinch-out trap with amplitude support in the Springar Formation. The main play type is deep marine turbidite sandstones sourced from the Northwest, i.e. the greater Gjallar Ridge area. The main risks were considered to be reservoir quality and charge.

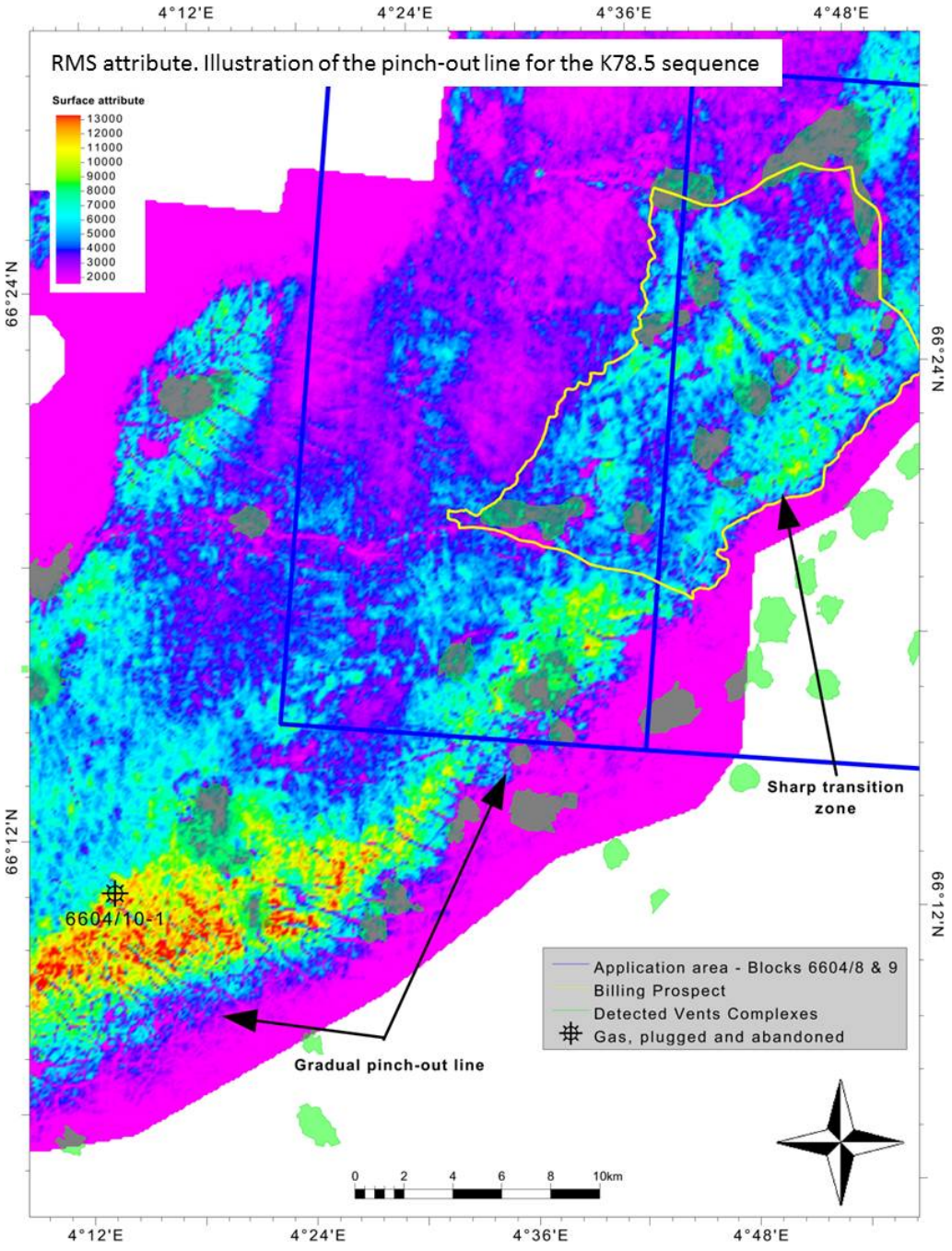

Figure 4.1 Billing Prospect in the application

As a result of the work completed during Pahse 1 of the exploration work program we now have a greater understanding of the Billing Propspect. The prospect has now been divided into two separate prospects (Billing North and Billing South). The prospects are separated by a zone of incoherent amplitude (Figure 4.2). The Billing North prospect is defined as a four-way closure centred around a hydrothermal vent, whilst Billing South prospect remains as a pinch-out trap.

The work effort focused on reducing the prospect risks through purchasing and re-processing of 3D seismic in a large part of the Vøring Basin and G&G studies. The re-processed seismic survey enabled the mapping and analysis of the prospect in more details compared to the initial description at the time of application. The AVO and Rock Physics studies provided important information regarding the evaluation of the reservoir properties and saturation levels. Analysis of partial offset stacks and pre-stack AVO study showed no evidence of economic gas saturation in both of the Billing prospects. The results of the assessment led to negative conclusions and downgrading of the Billing prospects.

A generic resource evaluation for both of the Billing prospects was performed. Pmean recoverable gas resources for both Billing South and North is then estimated to be 1.54 x 10^9 Sm^3 and 2.25 x 10^9 Sm^3 respectively (Table 4.1, Table 4.2). The overall chance of success (Pg) for the Billing South and North prospects are 15.7% and 23% respectively. The estimated lower recovery factor reflects the low permeability for the reservoir, which is deriven from the nearby Gro discovery.

Nerthus Prospect

The Nerthus lead described in the application was worked up and matured to prospect status. The Nerthus prospect is a pinch-out trap with a structural component. It is located in the south of the license and seperated from the northern extent of the greater Gro discovery by a hydrothermal vent. The new seismic survey enabled the mapping and analysis of the prospect in more detail compared to the initial description at the time of application. Partial stacks seismic analysis and pre-stack AVO study concluded evidence of gas saturation in the Nerthus prospect (Figure 3.3). The results of the assessment, however led to negative conclusions and downgrading of the Nerthus prospect because of estimated volumes are significantly below the minimum economic field size required for a development in the area.

The resource evaluation for the Nerthus prospect results in a Pmean of 1.22 x 10^9 Sm^3 recoverable gas resources (Table 4.3). The effect of the low permeability for reservoir is reflected in the Pmean, which is inferred from the Gro discovery. The overall chance of success (Pg) for the Nerthus prospect is 25.1%.

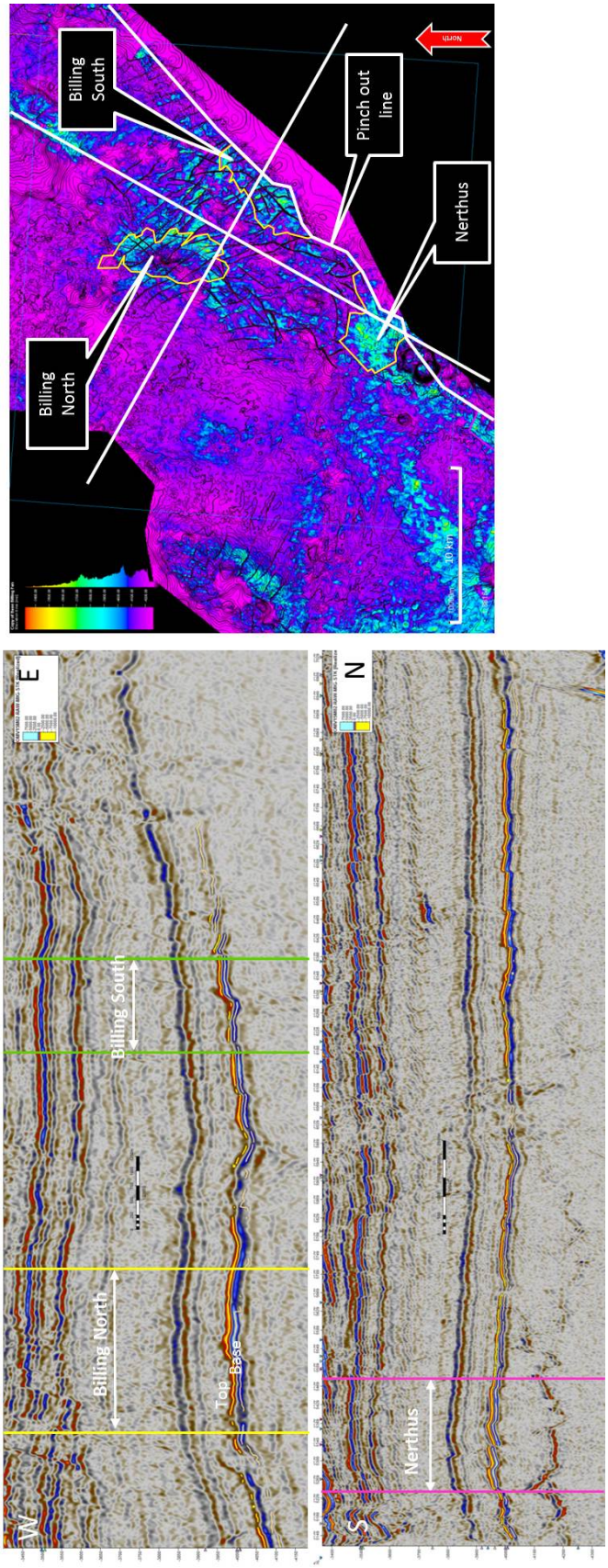

Figure 4.2 Billing Prospects
The Billing prospect has been broken down to individual prospect, Billing North and South respectively. In addition, the Nerthus lead has been worked up to prospect status.

Table 4.1 Billing South Prospect data sheet (NPD)

Block	6604/8-9	Prospect name	Billing South	Discovery/Prosp/Lead	Prospect	Prosp ID (or New!)	NPD will insert value	NPD approved (Y/N)	
Play name	NPD will insert value	New Play (Y/N)		Outside play (Y/N)					
Oil, Gas or O&G case:	Gas	Reported by company	OMV (Norge)	Reference document	PL 702 Relinquishment Report			Assessment year	2016
This is case no.:	1 of 1	Structural element	Vøring Basin	Type of trap	Pinch-out	Water depth [m MSL] (>0)	1360	Seismic database (2D/3D)	3D
Resources IN PLACE and RECOVERABLE		**Main phase**				**Associated phase**			
Volumes, this case		Low (P90)	Base, Mode	Base, Mean	High (P10)	Low (P90)	Base, Mode	Base, Mean	High (P10)
In place resources	Oil [10^6 Sm^3] (>0.00)								
	Gas [10^9 Sm^3] (>0.00)	0.50	3.60	4.50	9.80				
Recoverable resources	Oil [10^6 Sm^3] (>0.00)					0.01	0.07	0.13	0.33
	Gas [10^9 Sm^3] (>0.00)	0.12	1.09	1.54	3.52				
Reservoir Chrono (from)	Maastrichtian	Reservoir litho (from)	Springar Fm.	Source Rock, chrono primary	Turonian	Source Rock, litho primary	Lange Fm.	Seal, Chrono	Maastrichtian
Reservoir Chrono (to)	Maastrichtian	Reservoir litho (to)	Springar Fm.	Source Rock, chrono secondary		Source Rock, litho secondary		Seal, Litho	Springar Fm.
Probability [fraction]									
Technical (oil + gas + oil & gas case) (0.00-1.00)	1.00	Oil case (0.00-1.00)	0.00	Gas case (0.00-1.00)	1.00	Oil & Gas case (0.00-1.00)	0.00		
Reservoir (P1) (0.00-1.00)	0.56	Trap (P2) (0.00-1.00)	0.70	Charge (P3) (0.00-1.00)	0.80	Retention (P4) (0.00-1.00)	0.50		
Parametres:	Low (P90)	Base	High (P10)	*Comments*					
Depth to top of prospect [m MSL] (> 0)		3480							
Area of closure [km^2] (> 0.0)	21.5	26.4	32.3						
Reservoir thickness [m] (> 0)	8	13	45						
HC column in prospect [m] (> 0)	22	47	76						
Gross rock vol. [10^9 m^3] (> 0.000)	0.405	0.492	0.604						
Net / Gross [fraction] (0.00-1.00)	0.53	0.71	0.83						
Porosity [fraction] (0.00-1.00)	0.17	0.20	0.24						
Permeability [mD] (> 0.0)	10.0	30.0	50.0						
Water Saturation [fraction] (0.00-1.00)	0.43	0.35	0.27						
Bg [Rm3/Sm3] (< 1.0000)	0.0037	0.0036	0.0034						
1/Bo [Sm3/Rm3] (< 1.00)									
GOR, free gas [Sm^3/Sm^3] (> 0)									
GOR, oil [Sm^3/Sm^3] (> 0)									
Recov. factor, oil main phase [fraction] (0.00-1.00)									
Recov. factor, gas ass. phase [fraction] (0.00-1.00)									
Recov. factor, gas main phase [fraction] (0.00-1.00)	0.15	0.36	0.50						
Recov. factor, liquid ass. phase [fraction] (0.00-1.00)	0.11	0.29	0.45	For NPD use:					
Temperature, top res [°C] (>0)	140			Innrapp. av geolog-init:	NPD will insert value	Registrert - init:	NPD will insert value	Kart oppdatert	NPD will insert value
Pressure, top res [bar] (>0)	437			Dato:	NPD will insert value	Registrert Dato:	NPD will insert value	Kart dato	NPD will insert value
Cut off criteria for N/G calculation	1. Porosity 13%	2. VCL 40%	3.					Kart nr	NPD will insert value

Table 4.2 Billing North Prospect data sheet (NPD)

Block	6604/8-9	Prospect name	Billing North	Discovery/Prosp/Lead	Prospect	Prosp ID (or New!)	NPD will insert value	NPD approved (Y/N)	
Play name	NPD will insert value	New Play (Y/N)		Outside play (Y/N)					
Oil, Gas or O&G case:	Gas	Reported by company	OMV (Norge)	Reference document	PL 702 Relinquishment Report			Assessment year	2016
This is case no.:	1 of 1	Structural element	Varing Basin	Type of trap	Structural	Water depth [m MSL] (>0)	1360	Seismic database (2D/3D)	3D
Resources IN PLACE and RECOVERABLE		**Main phase**				**Associated phase**			
Volumes, this case		Low (P90)	Base, Mode	Base, Mean	High (P10)	Low (P90)	Base, Mode	Base, Mean	High (P10)
In place resources	Oil [10^6 Sm^3] (>0.00)								
	Gas [10^9 Sm^3] (>0.00)	0.60	4.65	6.54	15.50				
Recoverable resources	Oil [10^6 Sm^3] (>0.00)					0.01	0.01	0.20	0.50
	Gas [10^9 Sm^3] (>0.00)	0.16	1.40	2.25	5.55				
Reservoir Chrono (from)	Maastrichtian	Reservoir litho (from)	Springar Fm.	Source Rock, chrono primary	Turonian	Source Rock, litho primary	Lange Fm.	Seal, Chrono	Maastrichtian
Reservoir Chrono (to)	Maastrichtian	Reservoir litho (to)	Springar Fm.	Source Rock, chrono secondary		Source Rock, litho secondary		Seal, Litho	Springar Fm.
Probability [fraction]									
Technical (oil + gas + oil & gas case) (0.00-1.00)	1.00	Oil case (0.00-1.00)	0.00	Gas case (0.00-1.00)	1.00	Oil & Gas case (0.00-1.00)	0.00		
Reservoir (P1) (0.00-1.00)	0.72	Trap (P2) (0.00-1.00)	0.80	Charge (P3) (0.00-1.00)	0.80	Retention (P4) (0.00-1.00)	0.50		
Parametres:	Low (P90)	Base	High (P10)	*Comments*					
Depth to top of prospect [m MSL] (> 0)		3480							
Area of closure [km^2] (> 0.0)	21.5	26.4	32.3						
Reservoir thickness [m] (> 0)	12	15	24						
HC column in prospect [m] (> 0)	28	54	77						
Gross rock vol. [10^9 m^3] (> 0.000)	0.707	0.860	1.056						
Net / Gross [fraction] (0.00-1.00)	0.53	0.71	0.83						
Porosity [fraction] (0.00-1.00)	0.17	0.20	0.24						
Permeability [mD] (> 0.0)	10.0	30.0	50.0						
Water Saturation [fraction] (0.00-1.00)	0.43	0.35	0.27						
Bg [Rm3/Sm3] (< 1.0000)	0.0037	0.0036	0.0034						
1/Bo [Sm3/Rm3] (< 1.00)									
GOR, free gas [Sm^3/Sm^3] (> 0)									
GOR, oil [Sm^3/Sm^3] (> 0)									
Recov. factor, oil main phase [fraction] (0.00-1.00)									
Recov. factor, gas ass. phase [fraction] (0.00-1.00)									
Recov. factor, gas main phase [fraction] (0.00-1.00)	0.15	0.36	0.50						
Recov. factor, liquid ass. phase [fraction] (0.00-1.00)	0.11	0.29	0.45	For NPD use:					
Temperature, top res [°C] (>0)	140			Innrapp. av geolog-init:	NPD will insert value	Registrert - init:	NPD will insert value	Kart oppdatert	NPD will insert value
Pressure, top res [bar] (>0)	437			Dato:	NPD will insert value	Registrert Dato:	NPD will insert value	Kart dato	NPD will insert value
Cut off criteria for N/G calculation	1. Porosity 13%	2. VCL 40%	3.					Kart nr	NPD will insert value

Table 4.3 Nerthus Prospect data sheet (NPD)

Block	6604/8-9	Prospect name	Nerthus	Discovery/Prosp/Lead	Prospect	Prosp ID (or New!)	NPD will insert value	NPD approved (Y/N)	
Play name	NPD will insert value	New Play (Y/N)		Outside play (Y/N)					
Oil, Gas or O&G case:	Gas	Reported by company	OMV (Norge)	Reference document	PL 702 Relinquishment Report			Assessment year	2016
This is case no.:	1 of 1	Structural element	Varing Basin	Type of trap	Pinch-out	Water depth [m MSL] (>0)	1360	Seismic database (2D/3D)	3D
Resources IN PLACE and RECOVERABLE		**Main phase**				**Associated phase**			
Volumes, this case		Low (P90)	Base, Mode	Base, Mean	High (P10)	Low (P90)	Base, Mode	Base, Mean	High (P10)
In place resources	Oil [10^6 Sm^3] (>0.00)								
	Gas [10^9 Sm^3] (>0.00)	0.50	3.20	3.60	7.30				
Recoverable resources	Oil [10^6 Sm^3] (>0.00)					0.01	0.06	0.10	0.25
	Gas [10^9 Sm^3] (>0.00)	0.12	1.00	1.22	2.70				
Reservoir Chrono (from)	Maastrichtian	Reservoir litho (from)	Springar Fm.	Source Rock, chrono primary	Turonian	Source Rock, litho primary	Lange Fm.	Seal, Chrono	Maastrichtian
Reservoir Chrono (to)	Maastrichtian	Reservoir litho (to)	Springar Fm.	Source Rock, chrono secondary		Source Rock, litho secondary		Seal, Litho	Springar Fm.
Probability [fraction]									
Technical (oil + gas + oil & gas case) (0.00-1.00)	1.00	Oil case (0.00-1.00)	0.00	Gas case (0.00-1.00)	1.00	Oil & Gas case (0.00-1.00)	0.00		
Reservoir (P1) (0.00-1.00)	0.72	Trap (P2) (0.00-1.00)	0.80	Charge (P3) (0.00-1.00)	0.80	Retention (P4) (0.00-1.00)	0.70		
Parametres:	Low (P90)	Base	High (P10)	*Comments*					
Depth to top of prospect [m MSL] (> 0)		3460							
Area of closure [km^2] (> 0.0)	21.5	26.4	32.3						
Reservoir thickness [m] (> 0)	6	14	21						
HC column in prospect [m] (> 0)	19	36	55						
Gross rock vol. [10^9 m^3] (> 0.000)	0.225	0.274	0.336						
Net / Gross [fraction] (0.00-1.00)	0.53	0.71	0.83						
Porosity [fraction] (0.00-1.00)	0.17	0.20	0.24						
Permeability [mD] (> 0.0)	10.0	30.0	50.0						
Water Saturation [fraction] (0.00-1.00)	0.43	0.35	0.27						
Bg [Rm3/Sm3] (< 1.0000)	0.0037	0.0036	0.0034						
1/Bo [Sm3/Rm3] (< 1.00)									
GOR, free gas [Sm^3/Sm^3] (> 0)									
Recov. factor, oil main phase [fraction] (0.00-1.00)									
Recov. factor, gas ass. phase [fraction] (0.00-1.00)									
Recov. factor, gas main phase [fraction] (0.00-1.00)	0.15	0.36	0.50						
Recov. factor, liquid ass. phase [fraction] (0.00-1.00)	0.11	0.29	0.45						
Temperature, top res [°C] (>0)	140			Innrapp. av geolog-init:	NPD will insert value	Registrert - init:	NPD will insert value	Kart oppdatert	NPD will insert value
Pressure, top res [bar] (>0)	437			Dato:	NPD will insert value	Registrert Dato:	NPD will insert value	Kart dato	NPD will insert value
Cut off criteria for N/G calculation	1. Porosity 13%	2. VCL 40%	3.					Kart nr	NPD will insert value

5 Technical evaluations

The PL702 prospects are approximately 120 km away from Aasta Hansteen, which makes a subsea tie-back not feasible. Hence, development of any discoveries in PL702 requires a stand-alone development solution. Technical evaluation and economic analysis were performed for the Billing North, Billing South and Nerthus prospects assuming stand-alone development. In-place volumes were generated in GeoX, permeability range was populated from petrophysical analysis of offset wells. PVT characteristic was based on properties of the Gas / Condensate proven within the Springar Formation in the 6603/12-1 and 6604/10-1 wells (Gro discovery).

Results of the economic analysis showed negative economic value of the project (EMV). The key elements leading to negative value are reduced estimated recoverable volumes and decrease of market oil/gas prices.

6 Conclusions

The license work program obligation has been fulfilled by the purchase of 3D seismic data and completion of various G&G studies. In addition, the PL702 partnership re-processed and merged seven 3D surveys (with approximate size of 5500 km2) in conjunction with PL703.

PL702 partnership has put considerable effort into the evaluation of prospectivity in this license.The evaluation of the PL702 area has contributed to the increased understanding of the Springar Formation depositional system and sand distribution. A full technical evaluation of the license has been undertaken with the principal conclusion that that turbiditic sediments are most likely present in the prospects area, however, the main risk is lack of good quality sandstone in the area. It is interpreted that the same issue exsists in the nearby stranded and relinquished Gro Gas discovery with material in-place gas volumes. Further, the estimated prospective recoverable resources are regarded non-commercial and hence not sufficient to support a drill decision.