

August 2016 Newsletter

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Rig #3 at Senecio-3 (Source: AWE)

Please find below a brief update on the current status of Enerdrill. We have had a successful 18 month period with Rig #3 fully contracted and Rig #1 active with workovers and completions.

CONTRACTS

Enerdrill Rig #3 (the big rig) successfully completed a continuous 12 months of drilling in March 2016. Rig #3 drilled the following wells:

- Drover-1 (July 2014) – AWE/Origin
- Senecio-3 (August 2014) – AWE/Origin
- Irwin-1 (March 2015) – AWE/Origin
- Waitsia-1 (May 2015) – AWE/Origin
- Waitsia-2 (June 2015) – AWE/Origin
- Warro-4 (August 2015) – Transerv/ Alcoa
- Warro-5 (October 2015) – Transerv/ Alcoa
- Red Gully North-1 (November 2015) – Empire
- Mondara-9 gas storage well (January 2016) – APA

The Senecio-3 well discovered the Waitsia Gas Field, the largest onshore conventional gas discovery in WA since the Dongara Field was discovered in the 1960's. The discovery was only made due the efficiency of the Enerdrill team, as the well reach planned target depth ahead of schedule and below budget, allowing AWE and Origin to continue drilling to test the deeper secondary objective in the Kingia / High Cliff sandstone.

Enerdrill has received written letters from the management of AWE, APA and Empire complementing the company and drilling team on its professionalism and well run operation. Enerdrill retains an impeccable health and safety record with zero lost time injuries (LTI's).

Enerdrill Rig #1 (workover rig) has also been busy with a plug and abandonment campaign for AWE and running completions for AWE/ Origin, Transerv and Empire.

BLOW OUT PREVENTER (BOP)

Following the discovery of the Waitsia Gas Field the Department of Mines & Petroleum (DMP) required Enerdrill to upgrade the BOP on Rig #3 prior to drilling any other deep wells in the Perth Basin. An investment of \$0.5m was made by Enerdrill to acquire the BOP. The BOP is capable of handling 15,000 PSI.

TOP DRIVE

Also following on from the Waitsia discovery and requests from clients, Enerdrill decided to update the Rig #3 Top Drive. Bill Rippey and Peter West spent considerable time analysing options and it was decided Enerdrill would purchase a new GDM electric Top Drive, a modern state of the art unit which has performed superbly. Substantial time constraints and new engineering requirements had management working overtime to install without impacting Rig #3's contract schedule.

Purchasing of BOP's Choke Manifolds, Top Drives etc. fit for purpose was very demanding and the efforts of Bill and Peter for managing this along sides contract tenders and negotiations is to be acknowledged.

CURRENT RIG STATUS

All rigs are currently stacked.

Rig #3 is expected to be the front runner for the upcoming development drilling for AWE's Waitsia Field commencing in the first half of 2017. 2 to 3 wells are expected in 2017 followed by another 2 to 3 wells in 2018.

Rig #1 is currently tendering for several one off contracts.

Rig #2 remains stacked in Central Petroleum's yard in Queensland, well located to mobilise to the east coast as drilling activity recommences.

The low oil price environment has caused oil and gas operators to slash exploration budgets and delay drilling activity. This has had a flow on affect to the oil field services industry. Many of Enerdrill's competitors have exited Australia or gone into administration.



The new Blow Out Preventer (BOP)



Rig #3 Top Drive

DAVE BENNETT



The Board of Directors and staff of Enerdrill mourn the passing of Dave Bennett on 8 April 2016, after losing his battle with cancer.

Dave joined Enerdrill at its inception as a Health, Safety and Environment Manager, a challenging position for a new oilfield services company. During the three years which followed Dave successfully juggled the resources required for HSE, those for new rig builds, warehousing, offices, camps, hiring the right staff, winning contracts and building a reputation in the oilfield. This understanding of the practical requirements to manage a safe working environment and his connections in the industry was an asset to the consequential success of Enerdrill. Enerdrill's impeccable safety record is also a testament to him.

Dave will be sadly missed by his work colleagues, Board of Directors and clients. We pass on our deepest condolences to all of Dave's family and friends.

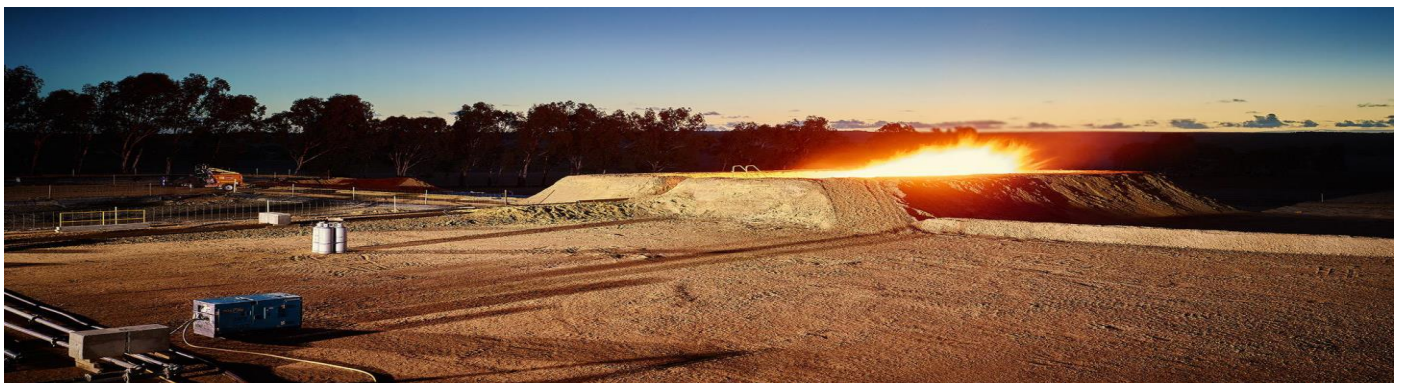
ORIGIN PERTH BASIN SALE PROCESS

Origin is in the process of selling its Perth Basin assets which includes the Waitsia Gas Field (50%) and Beharra Springs (67%). The process has attractive interest from large international oil and gas companies and investors. It is expected the assets will attract a price of \$150m to \$200m. The West Australian has indicated shortlisted parties include AWE & Mitsui, Quadrant and Transerv Energy. The process is predicted to close in August.

Unsuccessful parties may look at smaller companies such as Empire Oil & Gas and Norwest Energy to get a foothold in the basin.

OTHER

Bill Rippey and his wife Carolyn have moved back to New Zealand and are now looking after their farming interests. Bill however remains actively involved with Enerdrill.



Senecio-3 Production Test (Source: AWE)