PNG Exploration Review

8th December 2010

Outline

1. OSL strategy and exploration’s role
2. 2010 Exploration drilling review
   - Wasuma
   - Korka
   - Mananda
   - CBM wells
3. 2010 OSL exploration license refocus
4. 2011 exploration focus
   - ADT2 appraisal and follow-up
   - Huria
   - Flinders
5. Summary
Oil Search’s Growth Strategy

- Optimise existing oil assets with a focus on:
  - Maintaining safety and environmental performance
  - Delivering gas supply obligations and life extension whilst adding value from reserve adds and cost management
- Support delivery of PNG LNG Project:
  - Support ExxonMobil with in country activities
  - Deliver Oil Search operated Associated Gas and PL2 life extension projects
- Grow LNG business in PNG.
  - LNG is the optimum commercialisation route
  - Pursuing a two pronged strategy:
    - PNG LNG Expansion:
    - Gulf Area LNG Opportunity:
- Measured oil exploration.

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Regional Top Toro Depth Map

Regional Structural Cross-Section

- Fly Platform
- Darai Plateau
- Laguflu/Hedimia
- Mubi/Wage
- Kuabor Anticline

Layering:
- Eocene/Pliocene
- Oligo/Miocene
- Late Cretaceous
- M. Jurassic - E. Cretaceous
- Basement
Papuan Basin Chronostratigraphy

- Mesozoic Rift/Sag passive margin
- End Cretaceous Uplift then sag
- Late Miocene to present day compression

**Main Source Interval**

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Early Jurassic Rift Paleogeography

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Reprocessing of older seismic data giving better insight into geological evolution
- Thick and thin skinned compressional structures
- Hides an inversion structure with a thick syn-rift section under the core of the structure. Possible gas source?

OSL Exploration Activity - 2010

During 2010 OSL;
- Drilled 3 wells
- Acquired 4,700+ km² 3D
- Acquired 60+ km 2D
Regional Top Toro Depth Map

Fold Belt

Next Slide

PPL260 OSL
Korka

Only proven oil prone area of Foldbelt Focus for 1986+ oil exploration

PPL219 OSL
Mananda Attic

PPL219 OSL
Wasuma

Top Toro Depth Structure Map

PPL260 OSL
Korka

PPL219 OSL
Mananda Attic

SE Mananda

Agogo

Hedinia lagifu Usano

Gobe/SE Gobe

Juha

Hides

Angore

Moran

20km
Foldbelt Digital Elevation Model

- 100’s of wells drilled along fold belt, ~half with image logs
- Dips, fractures and break-outs available for each well in 3D space
- 3D model being constructed of 4 key horizons
- Stress regime varies along strike and sometimes within wells
- Fracture patterns and stress regime never analysed
- Could be related back to present plate dynamics and earthquake patterns
- Tied to 3D geology, could constrain plate models and stress through Neogene

3D Structural Models Unlock Complexity of the Foldbelt

View looking NW. Toro is shaded by elevation
PPL219 - Wasuma Pre-drill vs Post-drill Interpretations

Pre-drill
- Hangingwall trap analogous to SE Gobe
- Deeper Footwall trap (Wasuma Deep) as secondary objective

Post-drill
- No valid Hangingwall trap
- Footwall trap (Wasuma Deep) valid
  - Logs indicate charge to lagifu sandstone
  - ~5m net reservoir

PPL260 Korka Results
- Elevated gas (including C5) on mudlog
- Resistivity separation and mudcake build-up indicative of permeability.
  - Confirmed by RDT pressure and sampling data.
- Initial Petrophysical interpretation indicated presence of hydrocarbons - not supported by pressure data, which returned an unambiguous water gradient.
- Absence of Cross fault seal SE of Korka has allowed communication and flushing between Lavani 1, Muller 1X, Egele 1X/1XST1, and Korka 1.
Near field exploration opportunity along trend with SE Mananda & Agogo oil fields
- Toro sandstone primary objective - recovered oil, gas & water when tested at Mananda 3x
- Koi-Iange sandstone secondary objective
- Reserves: 30 mmbbl
- COS: 45% Opportunity to deepen well and further constrain Mananda Forelimb lead - analogues to Agogo Forelimb
- Well drilling ahead
Oil Search has been awarded seven licenses for CBM exploration
- 17500 sq km in area
- Currently drilling 1st well of 3 well campaign
- Objective - to refine coal location, rank and thickness.
Era Bed Coal Measures Log Examples

Ketu ST-1
Elevala-1
Kiunga-1

Eastern Australia Comparison

Stratigraphy of the Surat/Bowen Basins

PNG Licence size comparison
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Gulf Area LNG Opportunity

- Gulf Area has relatively untested prospectivity, in a proven setting, across a range of play types:
  - Pinnacle reefs
  - Platform carbonates
  - Early and late Pliocene turbidites

- Oil Search has high graded acreage and built a broad position:
  - Increased equity in Pandora (PRL01) to 24%
  - Increased equity in PPL244 as a result of the swap with Talisman for PPL239
  - Recently completed farm in arrangements to 4 additional licences, subject to Ministerial approval
Flinders Prospect
PPL244

- 4 way dip closure coinciding with strong amplitude anomaly
- Interpreted as Basin Floor Fan
- Observed AvO response may be caused by gas bearing sand
- Most powerful argument for gas: Low Acoustic Impedance coinciding with structural closure
- Planned to be drilled in 2011
PPL244 Lead Examples - 2D Seismic

Pasca Discovery

Flinders Prospect

Leads

PPL338 & 339

- PPL 338 and PPL339 farm-in details:
  - Oil Search earns an initial 30% stake from Dabajodi International Energy for funding 2D seismic surveys
    - Seismic to be acquired in Q1 2011
  - If seismic is promising, Oil Search has option for additional 40% equity for part-funding a well and becomes Operator
Indicative PPL338 Reefal Lead

- Sparse coverage of 1960’s vintage seismic data
- Strong indication of reefal build-ups

PPL276

- PPL 276 farm in details:
  - Oil Search earns an initial 30% stake from Rockwell Energy for funding a 3D seismic survey in the licence
  - 3D Seismic to be acquired in Q1 2011
  - If seismic is promising, Oil Search has option for additional 50% equity for funding a well and becomes Operator
Offshore Mesozoic Plays

Somewhere in Gulf of Papua:
- Mesozoic play potential does exist offshore PNG
- Flat-spot conformable with structure
- Needs 3D seismic to fully evaluate prior to drilling

PPL312

PPL312 farm in details:
- Oil Search earns an initial 30% stake and operatorship from Hillsborough for funding a 3D seismic survey in the licence
  - Seismic to be acquired in Q1 2011
- If seismic is promising, Oil Search has option for additional 45% equity for funding a well
Gulf of Papua Evaluation Plan

- 6285km² 3D seismic over all known offshore Leads plus Flinders Prospect

Gulf of Papua 3D seismic

- Processed MC 3D seismic available from July 2011
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OSL Exploration Activity – 2011-12

During 2011-12 OSL will participate in:
- 7 wells
- ~2,000+ km² 3D
- 200+ km 2D
PDL2 - Agogo Forelimb

- Drilled 1100m+ overturned & steeply dipping Forelimb
- Underlies Agogo field & facilities
- Producing ~1,500 stb/d
- Forelimb trend can be traced 75km from Mananda in NW to Hedinia in the SE suggesting that Toro to Koi-Iange targets may be present beneath other producing fields

3D Structural Model
Agogo Forelimb - Mananda Attic

View looking NW. Toro is shaded by elevation – red high, blue low
PDL2 – Near Field Exploration

- This section is constrained by the IAG-2 seismic line, numerous wells and surface outcrop data
- The Hedinia forelimb is constrained by the Hedinia-4X well and analogy with Agogo
- The forelimb is likely to be over 10 km long and ~1 km high
- Opportunity could be tested by deepening an existing well
- The Koi-lange sandstones, if present, beneath the Iagifu Anticline provide another attractive target for deepening of an existing well

PDL2 – Koi-lange play under the Iagifu Field

- Testing the Koi-lange fairway at IDT-B offers the potential to unlock significant further potential within PDL2
- 1 additional drill ready prospect (Agogo hanging wall) and 5 Leads with indicative cumulative recoverable reserves in the range of 50-100mmstb + 500-1000Bcf
Huria Prospect
PRL11 / PDL8

- Near field opportunity located adjacent to Angore and Hides gas fields
- Large, broad surface anticline
- Multi tcf potential
- Initial seismic completed, additional dip line currently being acquired
- Target drilling 4Q11

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Oil Search’s ongoing exploration programme is closely linked to our strategy:

- Grow our LNG Business:
  - Derisking and testing the Gulf Area LNG Opportunity
  - Maturing reserves in the Foldbelt for PNG LNG expansion
- Adding value to our existing oil business:
  - Targeting near field exploration
    - Agogo Forelimb
    - Koi-lange
    - Hedinia Forelimb
  - Measured oil exploration
    - Mananda 5

We remain committed to material exploration to the benefit of both OSL shareholders and PNG.