

# East Timor sea treaty opens up Buffalo field for Carnarvon Petroleum

By **Peter Milne**, *The West Australian*, 3 May 2018

A maritime treaty with East Timor has led Carnarvon Petroleum to green light up to \$200 million of drilling in the Buffalo oil field north of the Kimberley.

The diplomatic agreement struck in March has shifted the Buffalo field from Australian waters to those of East Timor, whose government is keen to fast-track oil and gas production.

West Perth-based Carnarvon plans to produce about 30 million barrels of oil from the project, yielding an estimated \$1.3 billion of oil revenue for the impoverished nation.

Chief executive Adrian Cook said the drilling of the first well, Buffalo-10, was targeted to start between March and September 2019.

It will be drilled to about 3km depth by a jack-up rig sitting in only 25m of water. Two further wells are planned, and a well head platform will connect them to a leased floating production, storage and offloading vessel located in deeper water.

The company estimated the cost at less than \$US150 million (\$199 million).

Since acquiring 100 per cent of the permit two years ago, Carnarvon has gone through five iterations of reprocessing seismic data from BHP, which produced from the field between 1999 and 2004.

The mid-estimate contingent resources are 31.1 million barrels of oil missed by BHP due to sub-optimal well positions from the less-advanced seismic processing of the time.

Before drilling can start both countries must ratify the maritime treaty, and Carnarvon and East Timor must agree on a production-sharing contract.

Mr Cook said East Timor could receive about \$US1 billion (\$1.3 billion) over five years of production.

The money would be welcome by East Timor as its primary revenue, the Bayu Undan field feeding the Darwin LNG plant, is expected to cease production in about 2022. There is no other oil or gas production in East Timorese waters.

Mr Cook said as the development was fairly low risk with a relatively quick payback he was keen for Carnarvon to keep as much equity as possible in the Buffalo project.

He said the development could be financed by debt, capital raisings or after the Buffalo-10 well is drilled selling a small equity in the field as pre-production reserves. Another option was to reallocate capital by selling equity in another project like Phoenix.

Carnarvon shares yesterday closed down 0.5¢ at 14¢.