



ASX Announcement

12 July 2022

Palm Valley-12 Drilling Update

The Operator, Central Petroleum Limited, (“**Central**”) (**ASX: CTP**) and its Palm Valley and Dingo Joint Venture partners New Zealand Oil & Gas Limited (“**NZOG**”) (**ASX: NZO**) and Cue Energy Resources Limited (“**Cue**”) (**ASX: CUE**), advise that the current drilling program at Palm Valley and Dingo will be revised to defer the Dingo well and evaluate the lower P2/P3 unit of the Pacoota Sandstone formation (**P2/P3**) instead of the Deep exploration target at Palm Valley to prioritise near term production into a very strong East Coast gas market.

Revised Drilling Program

- The Palm Valley 12 well (**PV12**), will replace the original deep Arumbera Sandstone exploration target (**PV Deep**) at 3,560m with evaluation of the P2/P3 at 2,061m through a sidetracked lateral of the original well bore. In the event that the P2/P3 target is unsuccessful, the existing strategy to drill the Pacoota 1 (**P1**) formation with a lateral well remains unchanged.
- The Dingo Deep exploration well, scheduled to follow the PV12 well, will be deferred so capital can be redeployed to invest in new near-term development to increase production capacity at Mereenie or Palm Valley. The Dingo Joint Venture will reassess the priority of the Dingo Deep prospect at a future date.
- On current estimates, the revised drilling program will be funded under the carry transaction (within a \$40m cap) with NZOG and Cue¹.

Key Drivers Behind the Revised Drilling Program

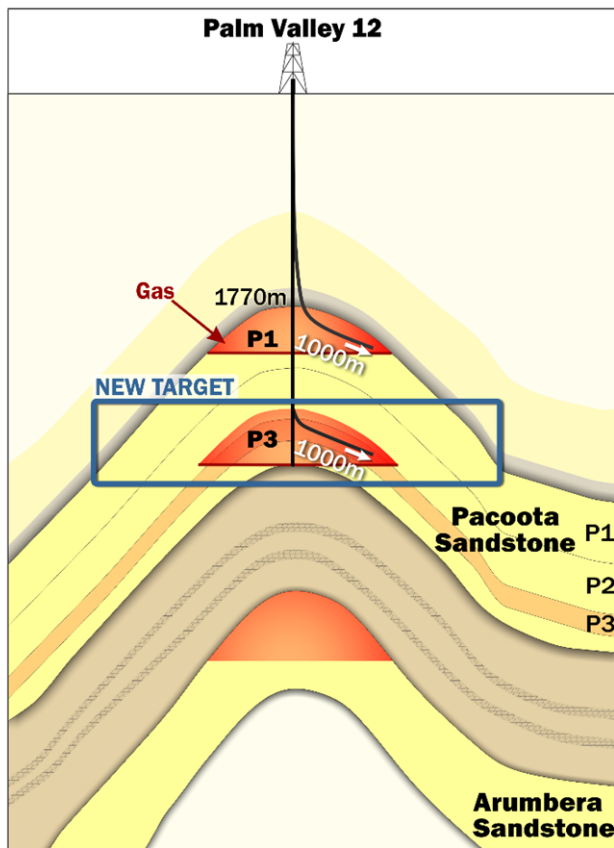
- PV12 has experienced very challenging drilling conditions due to natural fractures in its crestal location and extremely hard rock formations. Continued drilling to PV Deep would have exposed the Joint Venture to ongoing risks of slower progress and higher costs.
- Recent tests of the lower P2 to P4 interval have demonstrated minor flows of gas to surface through a vertical intersection. This makes the P2/P3 an attractive target with reduced drilling risk (relative to drilling a further 1,225m to the deeper target at this crestal location), lower development costs in a success case, and a greater overall chance of success.
- Palm Valley and Mereenie have existing pipeline connections to the very strong East Coast gas market that allows for much quicker development and sale of gas reserves.

¹ See Central Petroleum announcement dated 25 May 2021 titled “*Central Sale Underwrites Significant Investment in the Amadeus Basin*”.

Palm Valley

The PV12 well has been drilling since April and is currently at a depth of 2,335m in the P4 unit of the Pacoota Sandstone. Gas shows were recorded whilst drilling through both the currently productive P1 formation, as well as the P2/P3 formation located 90m below the P1. If evaluation of the P2/P3 is successful, any new production could be connected to existing facilities to increase production and extend the life of the Palm Valley gas field.

The PV12 well has encountered challenging drilling conditions to date, with drilling progress behind schedule due to the natural fracturing and hard rock formations at this crestal location. A lateral P2/P3 well is anticipated to have a higher chance of success than continued drilling towards the deeper exploration target.



Drawing not to scale, other than relative thickness for formations at well bore.

The revised PV12 program will now include a side-track drilled for up to 1,000m into the P2/P3 unit, aiming to maximise intersections with natural vertical fractures.

Alternatively, if the P2/P3 target is unsuccessful, a shallower gas appraisal lateral will be drilled in the currently producing P1 formation with the potential to become a production well.

Dingo deferral to re-allocate capital

The planned Dingo Deep exploration well will be deferred to prioritise near term production-enhancement activities at Mereenie or Palm Valley, with any future Dingo Deep exploration program subject to Joint Venture approval. The Dingo field is not currently connected to the East Coast market as it supplies gas directly to a single customer. Commercialisation options for success

at Dingo Deep would have required construction of new surface infrastructure and modifications to the Amadeus Gas Pipeline and Alice Springs Pipeline to transport gas to the East Coast market.

Palm Valley and Mereenie production enhancements

Deferral of the Dingo Deep well will allow the re-allocation of available capital to projects that are planned to deliver additional gas supplies to market within 12 months. The opportunities to increase near-term production include up to six recompletions and two new development / production wells at Mereenie, or additional wells at Palm Valley, with the increased production able to take advantage of strong gas markets. These activities remain subject to joint venture approvals.

The participants in the Palm Valley and Dingo Joint Ventures are: Central Petroleum 50%, New Zealand Oil & Gas 35% and Cue 15%.

Authorised by the CEO, Matthew Boyall.

Any queries regarding this announcement should be directed to the Company on +61 3 8610 4000 or email mail@cuenrg.com.au.

About Cue Energy

Cue Energy Resources Limited is an Australian Securities Exchange (ASX:CUE) listed oil and gas production and exploration company based in Melbourne. Cue's H1 FY2022 revenue was A\$18 million from gas and oil production from the Mahato and Sampang PSCs in Indonesia, Mereenie, Palm Valley and Dingo fields onshore Australia and the Maari field, offshore New Zealand.

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