

Central Petroleum Shortly to be Australia's Next Oil and Gas Producer

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Brisbane, Australia (ABN Newswire) - Australian oil and gas explorer [Central Petroleum](#) (ASX:CTP) (OTCMKTS:CPTLF) will shortly become an oil and gas producer announcing today an agreement to acquire the central Australian assets of Magellan Petroleum Australia. The share market liked the deal, marking Central Petroleum up 21% on the day

The agreement includes the currently producing Palm Valley gas field, the reserve-certified Dingo gas field and a substantial register of existing production assets that includes compression, gathering and sales pipelines, and 6 completed production wells for \$35 million.

Central will pay Magellan \$20 million in cash and roughly 39.5 million shares of CTP. The cash component of the purchase price is fully funded through a financing facility with Macquarie Bank. The Macquarie facility also provides \$30 million in funding for the completion of the Dingo gas field, principally a 50km export pipeline from the Dingo field to Alice Springs. Central is targeting completion and first gas sales in Q1 2015.

Contracted sales from Palm Valley and Dingo fields will service the Macquarie facility and also provide a key source of internal capital for the Company. When combined with sales from the Surprise oil field (scheduled to commence later this month depending on weather), Central Petroleum will almost instantly transform from an exploration company into an E&P company producing both oil and gas from 3 separate fields.

Central already holds an interest in all of the permits surrounding these fields and is in pole position to leverage any success from the circa \$300 million exploration program being undertaken in the area through a joint venture with Santos.

Central Petroleum CEO Richard Cottee, said the Magellan agreement brought 6 producible wells that could not be drilled for \$35 million along with reserves of about 10 mmboe.

"The opportunity to acquire in the order of 2,400 hp of installed compression, 6 completed production wells and a variety of existing processing and transportation infrastructure means that the cost, risk and time required to get into full production - and revenue - is much smaller than say a traditional greenfield development", he said

At the heart of the acquisition are gas reserves contained within the Palm Valley and Dingo gas fields. At 30 June 2013, Magellan reported that these fields had independent certified 2P reserves of around 53 BCF of gas. This equates to about 10 million barrels of oil equivalent (mmboe). The acquisition of these reserves will mark around a 10 fold increase in reported 2P reserves for the company relative to a base reserve position of 1.1 mmbbl associated with the Surprise oil field.

CEO Richard Cottee, notes "this is a significant acquisition of reserves for the company and a real step-change in our strategy to become an E&P company in central Australia."

A critical piece in this acquisition was the Macquarie debt facility which fully funds both the cash component of the Magellan asset purchase price and the Dingo development capital. This enables Central Petroleum to get a positive cash flow without an outlay of cash which would have been a drag on current exploration activities.

The Macquarie facility consists of senior and mezzanine funding and includes Central granting 15 million unlisted Central Petroleum options to Macquarie Bank with an exercise price of \$0.50 and an exercise period of 30 months.

"Having a major investment bank like Macquarie funding both the acquisition and completion of the Dingo gas field speaks volumes about both the opportunity and Central Petroleum", Mr Cottee said

"The base case for the acquisition gives an Equity IRR (geared) of 19%, but we believe even this is a conservative figure. There are a series of obvious optimization opportunities - things like reducing project costs, increasing recoverable gas reserves at both fields, synergies with our Surprise operation, accelerating production and new gas marketing - all contribute to what we see as a very attractive up-side. Then there is

the blue-sky in that we will own 100% the production and transportation infrastructure (including the 50km Dingo to Alice Springs pipeline) which place us in a great position to benefit from future success in our exploration activities and any future pipeline connection with the Eastern markets."

"This is an exciting phase of our Company's development in the interests of our shareholders, the Northern Territory and the Traditional Owners of Central Australia.

"We see enormous potential for further gas in Central Australia at increasing profitability. Over time Central looks forward to playing an important role in inter-connecting Central Australia to the Eastern seaboard gas network possibly through Moomba", said Richard Cottee.

About Central Petroleum Limited:

Central Petroleum (ASX:CTP) is an ASX listed junior exploration and production company operating what is regarded as the biggest package of prospective acreage in Australia.

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