

# Central Petroleum Limited Acquires 50% of Mereenie Oil and Gas Field from Santos

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Brisbane, Australia (ABN Newswire) - [Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) ("Company" or "Central") today announced it has agreed to acquire a 50% interest in the Mereenie Oil & Gas Field from [Santos Ltd.](#) and assume Operatorship of the field in the Northern Territory's Amadeus Basin. The move will significantly increase Central's operations and enable Central and Santos to maximise the amount of gas available for the proposed Northern Territory-East Coast gas pipeline (referred to as NEGI). The acquisition is subject to regulatory approvals and completion of the expansion to the existing Macquarie Bank debt facility which are normal for transactions of this nature. The acquisition is immediately value accretive to Central, with a significant increase in free cash flow, reduction in unit production costs and enables Central to be cash positive even without NEGI.

By taking on Operatorship of Mereenie, Central will become the common Operator across all three conventional gas fields producing in the Amadeus Basin. This creates immediate operating efficiencies and provides employment opportunities in and around Alice Springs by utilising local services and resources. This acquisition will increase Central's oil production to over 500 bopd and contracted gas sales to over 4 PJ/p.a. (equity accounted).

Under the agreement Central will pay \$45 million in cash to Santos, structured as \$35 million on financial closure of the deal and the balance of \$10 million to be paid in June 2016.

In addition, Central will free-carry Santos under a \$10 million work program prior to NEGI aimed at increasing 2P reserves at Mereenie to 280 PJ (Pre-NEGI Work Program). Central will also grant an option to Santos to cause a transfer of certain permits in the Amadeus Basin plus other financial arrangements.

Conditional on the NEGI pipeline project proceeding, Central will pay Santos a NEGI bonus payment of \$15 million and commit to free-carry Santos under a \$55 to 75 million NEGI Work Program to develop the Mereenie field for production into the NEGI pipeline.

Central Petroleum Managing Director, Richard Cottee, said: "This agreement enables Central and Santos to efficiently expand the low-cost conventional gas supply from the Amadeus Basin to the eastern seaboard domestic market within 4 years, and makes Central a significant producer in its own right."

The financing will be through a credit approved increase in the existing Palm Valley and Dingo debt facility with Macquarie Bank. Under this expanded debt facility, the interest rate will be reduced relative to the existing loan by 170 basis points. Central will cancel the 15 million options previously issued to Macquarie Bank and issue 15 million new options with an exercise price of \$0.20 and an exercise period of 48 months. A further 15 million options with the same terms will be issued to Macquarie Bank should the full debt facility limit of \$90 million be drawn. The new total debt facility of \$90 million ensures that financial closure of the deal is not subject to any equity raise. Should NEGI proceed, Central expects to have substantial new revenue generation through new bankable Gas Sales Agreements and so it is envisaged that the contingent NEGI funding can be covered by conventional bank debt.

The mutual objective of the joint venture is to maximise gas reserves at Mereenie and volumes available for NEGI to create a market for presently discovered conventional gas and provide exploration incentive to surrounding acreage. There are two viable routes for the NEGI Pipeline. Whilst the northern route appears to be the shortest, additional transportation tariffs charged for existing pipelines before and after NEGI suggest the Moomba route could be the preferred option if our exploration and appraisal program is successful. The primary objective of the \$10 million Pre-NEGI Work Program (which forms part of the acquisition consideration) is to confirm reserves and deliverability that can be dedicated from Mereenie to underpin the NEGI gas sales and transportation contracts.

Central has engaged Netherland, Sewell & Associates, Inc. (NSAI) to review existing data in the light of the prospect of NEGI going ahead and the Company remains confident that the review together with workovers should enable the target of 280 PJ to be reached. The work will also identify a series of gas target zones for reserve and resource additions.

Under the existing farmout arrangements Santos remains Operator in the Southern Amadeus Basin joint

venture and North West Mereenie joint venture enabling a higher degree of focus on the vast acreage.

Under this deal the Amadeus Basin acreage has been further rationalised with Santos having the right to acquire a 50% interest in EPA 111 and EPA 124 and Central assuming the acreage in the area of EP82 to the North of the Dingo Field to add to Central's existing holding in RL 3 & RL 4 (Ooraminna). The map in link below shows the acreage in the Amadeus as a result of this rationalisation.

"We hope this deal will underpin the available gas supply and supportive economics of the NEGI, an important and much needed infrastructure project that will provide for the development of an efficient domestic gas market," said Richard Cottee.

"Should NEGI occur, not only will it significantly re-rate our vast exploration acreage in the Amadeus Basin but also our interest in the producing fields. It would be a culmination of a strategy developed nearly two years ago to make Central an oil and gas producer of note, with the first step our acquisition of the Palm Valley & Dingo assets last year."

To view map, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-CTP-721637.pdf>

### **About Central Petroleum Limited:**

[Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) is an ASX listed junior exploration and production company operating the largest holding of prospective onshore acreage in Australia totalling over 270,000 km<sup>2</sup>, c.70 million acres. This acreage includes permits already awarded and acreage under application with 250,000 km<sup>2</sup> under the Petroleum Acts and 20,000 km<sup>2</sup> under the Mining Acts mainly in the Northern Territory with smaller holdings in Western Australia, South Australia and Queensland.

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