

Horizon Oil Ltd.: Quarterly Activities Report - December 2016

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Sydney - [Horizon Oil Ltd.](#) (ASX:HZN) (OTCMKTS:HZNFF) is pleased to provide the Company's Quarterly Activities Report for the period ended 31 December, 2016.

PRODUCTION

Block 22/12, Beibu Gulf, offshore China (Horizon Oil: 26.95%)

Gross oil production for the quarter averaged 7,592 bopd (HZN: 2,046 bopd prior to additional cost recovery oil entitlement). Production was affected in the quarter by typhoon Sarika which, for safety reasons, required temporary evacuation of personnel from the offshore production facilities and suspension of production for approximately 5 days in October. Current field production is approximately 8,500 bopd.

On 12 January 2017, the Company advised that cumulative oil production from the Beibu Gulf fields, offshore China, which came on stream in March 2013, reached the milestone of 13.9 million barrels. Having reached the milestone, the oil pipeline transportation tariff paid to China National Offshore Oil Corporation, previously US\$4.75 per barrel, is now reduced to US\$0.50 per barrel, the material impact of which will arise in the March 2017 quarter and subsequent periods.

Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in early 2017.

PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand (Horizon Oil: 10%)

Gross oil production for the quarter averaged 5,748 bopd (HZN: 575 bopd).

Production for the period was affected by the field maintenance and repair shutdown period from 24 November 2016 during which the Maari joint venture successfully completed the scheduled water injection repairs at Maari/Manaia field, including the replacement of the water injection riser and implementation of enhanced integrity measures to further protect the field flowlines. Concurrently, the joint venture repaired an isolated fatigue crack identified on the wellhead platform and undertook reconfiguration works of certain wellhead pipework in preparation for the installation of production enhancing multiphase pumps in 2017. By consolidating the activities above, the joint venture has minimised the production suspension period otherwise required to install the multiphase pumps, the purpose of which is to increase oil production and overall recovery from the field through a reduction in bottom hole pressures, enabling increased drawdown from each well.

As advised by the Company, production recommenced on 12 January 2017, following completion of the abovementioned activity and the water reinjection system was successfully reactivated on 29 January 2017.

Horizon Oil's net cost of the recent repairs, including the repair of the fatigue crack on the platform, was approximately US\$1.5 million, the majority of which is anticipated to be recovered through insurance.

DEVELOPMENT

PRL 21, Elevala/Tingu and Ketu gas-condensate fields, Western Province, PNG (Horizon Oil: 27% and operator)

The joint venture progressed feasibility studies for the prospective Western LNG project, by forming a Joint Working Team (JWT) with the PDL 10 joint venture, composed of representatives from the respective joint ventures. The JWT will progress the technical and commercial work necessary for the Western LNG project, a mid-scale LNG development concept, potentially involving aggregation of the approximate 2.4 tcf of discovered gas resources in Western Province. The cornerstone volumes for the project are the condensate-rich Elevala/Tingu and Ketu fields operated by Horizon Oil, supplemented by the nearby Repsol operated Stanley condensate-gas field, in which Horizon Oil holds a 30% interest.

PDL 10, Stanley gas-condensate field, Western Province, PNG (Horizon Oil: 30%)

The joint venture continues to focus its effort on progressing the development concept for the Western Province gas aggregation scheme, through collaboration with the PRL 21 joint venture, and the formation of the JWT. As noted, the JWT is progressing plans for the Western LNG project- that will be supplied by gas aggregated from several discovered fields in Western Province, with PDL 10 (Stanley) and PRL 21 (Elevala/Ketu) providing the cornerstone gas volumes.

Acquisition of additional licence interests in Papua New Guinea

In January 2017, the Company acquired Eaglewood Energy (BVI) Limited which holds licence interests in Western Province, Papua New Guinea, including a 50% interest in, and operatorship of, the Ubuntu gas condensate field, adjacent to PRL 21. Participation in the Ubuntu gas condensate field provides complementary strategic benefits to Horizon Oil's material PNG portfolio as the resource can be aggregated into the proposed Western LNG project. The consideration for the acquisition was a combination of cash, funded through existing cash reserves, and assumption of the acquired entity's PNG liabilities, including longer term licence obligations.

To view the quarterly report, please visit:
<http://abnnewswire.net/lnk/SJ8DV81S>

About Horizon Oil Ltd:

[Horizon Oil Ltd.](#) (ASX:HZN) is an ASX-listed petroleum exploration and production company, with a geographic focus on the Asia-Pacific region. The company currently produces over 4,000 barrels of oil per day net from its fields in New Zealand and China, which generated over US\$80 million in net operating income after operating expense for the year ended 30 June 2015. Further development candidates remain in and around these producing fields.

Horizon Oil maintains prudent policies of oil price hedging and loss of production insurance to ensure that sufficient cash flow is generated to meet the funding requirements of its growth program.

The company holds a large undeveloped reserves and contingent resource position in Western Province, onshore Papua New Guinea. These are liquids-rich gas resources and reflect Horizon Oil's strategy to focus on Asian gas for growth. Gas constitute about 2/3 of the reserves and resource base. Commercialisation pathways for the gas are emerging.

Although Horizon Oil anticipates continuing strong cash generation over the medium term from its existing producing fields, these developed reserves account for only 10% of total reserves and resource base. The focus going forward will be on new field development, funded largely from existing production cash flow.

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