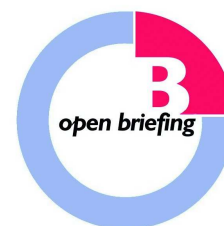


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MEO Australia Limited (ASX code: MEO) is focussed on building value through the discovery and commercialisation of hydrocarbon resources. Can you briefly outline your major assets? How would you rank your assets both in terms of potential for commercialisation and ultimate value-add?

**MD & CEO Jürgen Hendrich**

MEO has interests in Australia's only two established LNG provinces – the Carnarvon Basin offshore Western Australia (3 permits) and the Bonaparte Basin offshore Northern Territory (1 permit).

The Company has a development proposal for a 3 million tonne per annum (Mtpa) LNG plant - and two 1.75 Mtpa methanol plants (all with environmental approvals in place) to be located on Tassie Shoal, an area of shallow water in the Timor Sea, offshore Northern Territory. These projects are ready to enter Front End Engineering and Design (FEED) pending confirmation of gas supplies which could be supplied from MEO's gas discoveries or the neighbouring undeveloped gas fields.

MEO's two gas discoveries (Blackwood and Heron) are situated in a large exploration permit immediately adjacent to Tassie Shoal and may have sufficient gas resources (subject to confirmation by appraisal drilling) to underpin the Tassie Shoal projects. Heron has the potential for liquids-rich, low CO<sub>2</sub> gas that could supply the LNG project, while Blackwood gas is ideally suited for conversion into methanol.

Our three contiguous offshore Carnarvon Basin permits offer material exploration upside in close proximity to existing and proposed LNG infrastructure. MEO's 70% owned WA-360-P permit contains the 12 Tcf Artemis prospect and is subject to a farmout process which we expect to conclude by the end of September.

MEO's existing project portfolio contains considerable potential value. Our strategy is to enhance value in these projects using rigorous technical and commercial processes and subsequently crystallise this value through transactions with high quality industry partners. Over time, MEO expects to screen many new opportunities and selectively add material projects to the portfolio to repeat this process.

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What are the geological attractions of your major areas of operation - the Bonaparte and Carnarvon Basins?

**MD & CEO Jürgen Hendrich**

Both basins are proven gas provinces with established LNG infrastructure.

In the Carnarvon Basin, several substantial recent discoveries at Wheatstone (2004) and Pluto (2005) on the North-West Shelf (NWS) highlight that large discoveries still remain to be made by companies that can overcome the technical challenges through diligent application of experience and technology.

The WA-360-P exploration permit is strategically located between the existing North West Shelf gas project to the east and the Pluto and Wheatstone projects immediately to the south-west. MEO's East Artemis prospect has been identified as hosting mean prospective resources of 20.3 Tcf gas-in-place of which 12.0 Tcf is expected to be recoverable, assuming a 60% recovery factor. This prospectivity coupled with the strategic location, makes this permit potentially very valuable to MEO.

The existing and planned LNG infrastructure in the Carnarvon basin requires additional gas reserves for the projects to reach their full economic potential. All operators in the basin have committed to substantial exploration programs to discover additional resources. This province has established infrastructure but is short of gas – a characteristic which enhances the potential value of MEO's acreage.

The Bonaparte Basin is in many ways a complete contrast to the Carnarvon Basin. To date, the only gas field developed for LNG is the liquids rich, low CO<sub>2</sub>, Bayu-Undan gas/condensate field which was initially developed as a gas cycling project. The associated onshore LNG plant in Darwin some 500+ kilometres away was developed a few years later and represents the only established LNG infrastructure.

This region hosts a substantial quantity of lower quality gas, afflicted with moderate to high levels of CO<sub>2</sub> in smaller fields some considerable distance from potential land based development locations. MEO firmly believes that a regional development hub that addresses the remoteness and lower quality of these gas fields is an integral prerequisite to develop these resources for the benefit of all stakeholders.

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What recent exploration and development work has MEO done in these two areas?

**MD & CEO Jürgen Hendrich**

In late 2007, MEO commenced a 2-well drilling program that resulted in 2 gas discoveries: Heron-2 and Blackwood-1. This provided encouragement that MEO may have sufficient gas resources to underpin one or more of its gas processing projects.

Heron-2 had dual targets:

1. The shallower Darwin Formation – an unconventional play in the Basin targeting a carbonate reservoir with the potential to host high quality, liquids rich gas suitable for LNG production and;
2. The deeper, conventional Plover sandstone reservoir play that is the main target in the Bonaparte and Browse Basins.

The Darwin formation is susceptible to damage while drilling and was tested through casing, however only minor amounts of gas flowed to surface. The deeper Plover sands gave indications while drilling of more liquids rich, low CO<sub>2</sub> gas over a 200m gross interval. This zone was production tested in open hole and flowed gas to surface at modest rates before being interrupted by a cyclone. Following re-entry to clean out the wellbore after the cyclone, the wellbore was found to have collapsed above this deeper zone of interest therefore precluding this zone from contributing to the production test. Several unsuccessful attempts were made to side-track around this unstable zone before the well was finally plugged and abandoned. A re-test of this deeper target requires a new well.

Blackwood-1 was drilled as a sole risk (MEO: 100%) operation following Heron-2. The well intersected a 49 metre gross gas column in the Plover formation, with a clear gas-water-contact and recovered gas with approximately 30% CO<sub>2</sub> to surface. It was declared a gas discovery and potentially contains sufficient gas resources (subject to successful appraisal drilling) for one of the approved methanol plants. A 384 km<sup>2</sup> 3D seismic survey was acquired over part of the Blackwood structure immediately after drilling Blackwood-1.

In the Carnarvon basin, MEO acquired 250 km<sup>2</sup> of 3D seismic data in WA-360-P in late 2007 and identified the Artemis prospect in late 2008 as a potential drilling target. We acquired a further 250km<sup>2</sup> in 3D seismic in early 2009 to delineate the northern extent of this prospect resulting in a materially increase in size.

In early 2009, MEO drilled the high risk Zeus-1 stratigraphic play in WA-361-P. Although the well failed to find significant hydrocarbons, it provided extremely valuable information regarding the characteristics and extent of the high quality Jurassic reservoirs to the north and west of previous well intersections.

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What is the technical background supporting your assessment of the Artemis?  
How is it that such a large field could have remained undiscovered for so long?

#### **MD & CEO Jürgen Hendrich**

The two most recent significant discoveries in this area are Wheatstone (2004) and Pluto (2005). Both occur beneath the ‘shelf-slope-break’ an area of rapidly changing water depth between the shallow (100-150 metre water depth) shelf and the deep water (1,000-1,500 metre water depth). In this geography, the seismic signal used to image the subsurface suffers from poor signal strength. Depth conversion of the seismic signal is also complicated in this setting rendering any prospectivity very obscure.

The same complexities that kept the Pluto and Wheatstone discoveries hidden extend along trend into WA-360-P. Our technical team specifically looked for the same attributes as the Wheatstone and Pluto discoveries to uncover the Artemis prospect.

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What are the other major prospects you have identified in your Carnarvon Basin permits; WA-359-P (MEO: 60-70%), WA-360-P (70%) and WA-361-P (35%)? What are your forward exploration plans? What development concept do you envisage for MEO in the Carnarvon Basin?

**MD & CEO Jürgen Hendrich**

We are continuing to pursue substantial gas resources in the Carnarvon Basin in the permits which are very well located with respect to existing and planned infrastructure. Our forward plans are focused on the refinement and subsequent drilling of the Artemis prospect in WA-360-P following our current farm-out process together with ongoing studies in WA-361-P and WA-359-P to identify additional prospectivity.

We have several options with which to monetise any discoveries:

- (a) A 12 Tcf gas discovery would easily justify its own onshore based LNG project;
- (b) The existing 16.3 Mtpa NWS gas project requires additional gas;
- (c) The 4.3 Mtpa Pluto project is seeking gas for Pluto trains 2 (4.3 Mtpa) and 3 (4.3 Mtpa);
- (d) The Wheatstone project (8-10 Mtpa) is proposing 'open, transparent, and fair tariffs' for tolling 3rd party gas;
- (e) A smaller discovery may be suitable for the application of floating LNG (F-LNG) technology in the event that a competitive tariff arrangement could not be negotiated with one or more of the above projects.

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What progress have you made on the potential farm-outs at WA-360-P and NT/P68? What broad terms are you seeking? What interest has been shown in the farm-outs, particularly in the current financial climate? Ideally, what level of equity would you like to keep?

**MD & CEO Jürgen Hendrich**

MEO's primary focus has been on farming out WA-360-P in which we hold a 70% interest. To attract a significant global player, we need to offer a substantial equity interest. As such, we are willing to offer up 50% and retain 20%. For this, we expect the incoming party to reimburse past seismic costs, fund the drilling of the commitment well and in the event of a discovery, fund MEO's residual 20% interest in two additional wells.

Notwithstanding the financial crisis, the interest in our farm-out has been very strong and, without exception, every company that has visited our data room were pleasantly surprised at the quality of our technical work. Indicative offers are currently being progressed towards a binding farm-in agreement and the Company remains on track to complete a transaction by 30th September 2009.

In relation to our NT/P68 permit (90-100% interest), we are currently in the process of extending our tenure to the block and are completing technical studies prior to embarking on the farm-out process early next year following renewal of the permit. We have already received a number of unsolicited approaches by large, global E&P companies who expressed an interest in farming into the permit. MEO is therefore confident that we will attract a suitable partner in this permit once we formalise the farm-out process.

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In the Bonaparte Basin, MEO has environmental approvals for a 3 Mtpa LNG plant - Timor Sea LNG Project (TSLNGP) and two 1.75 Mtpa methanol plants - Tassie Shoal Methanol Project (TSMMP) - proposed to be located on Tassie Shoal. How does MEO propose to secure the gas resources to underpin the project? What strategy will you take?

**MD & CEO Jürgen Hendrich**

MEO will continue to progress appraisal of its own Heron and Blackwood gas discoveries to underpin the Tassie Shoal projects, but the projects also have the potential to form the nucleus of the regional solution I mentioned earlier. If the resource custodians cannot work together to overcome the challenges of field development then those resources are destined to remain static for a long time.

MEO strongly supports the Government's philosophy of timely development of hydrocarbon resources and applauds the processes underway to achieve this outcome. The spectre of legislative changes predicated on a 'use-it-or-lose-it' philosophy is the external factor shaking incumbent resource custodians out of a dogmatic complacency and forcing a re-think of their conventional approach (i.e. LNG only) to resource development, irrespective of gas quality or other extenuating circumstances.

We are the first to admit that there are significant challenges in developing gas in the region but have demonstrated that these can be overcome. The distance challenge can be overcome by locating gas processing facilities at Tassie Shoal saving literally billions of dollars in pipeline costs. The resource size barrier can be overcome by working together to improve the economies of scale of the developments and using the methanol production process as a form of chemical sequestration can overcome the issue of greenhouse gases contained in the fields. MEO has shown that an LNG plant coupled with a methanol plant can achieve lower reservoir CO<sub>2</sub> emissions than those planned for the Gorgon Project which uses geo-sequestration.

A regional solution that addresses all of the issues that preclude economic development is the only solution that can deliver economic value for all stakeholders.

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What uncommitted gas has been discovered in the area that could be suitable to supply the two methanol plants and the LNG plant?

**MD & CEO Jürgen Hendrich**

To date, only the Bayu-Undan gas/condensate field has been developed for its gas. This field is extremely rich in natural gas liquids (NGL's) and has low levels of CO<sub>2</sub>. Unfortunately, this gas quality is an exception. The nearest discovery to Tassie Shoal – Evans Shoal – has ~25% CO<sub>2</sub>. The next closest gas fields including Barossa, Caldita and our own Blackwood discovery are all CO<sub>2</sub> challenged with low associated NGL's. A little further afield, Inpex has the Abadi gas field with ~9% CO<sub>2</sub>. This field is under Indonesian jurisdiction and is slated for an FLNG development.

The Greater Sunrise gas resource is within 150 km's of Tassie Shoal and contains modest NGL's and ~4% CO<sub>2</sub>. The Joint Venture is contemplating a Darwin or FLNG development, neither of which is currently supported by Timor-Leste. MEO considers Tassie Shoal to be a viable 3<sup>rd</sup> option, with likely superior returns to the two options being contemplated.

This option also underpins a regional development hub that would lower the economic threshold for other undeveloped resources. This may be more palatable to Timor-Leste as it will increase the economic pie for all stakeholders by incorporating a significantly larger resource pool and defuse the economic arguments associated with a land-based development.

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How is MEO differentiated from other oil and gas exploration companies?

**MD & CEO Jürgen Hendrich**

MEO is focused on defining and developing substantial gas plays and differentiates itself by offering a clear commercialisation path for its discoveries. Our large scale projects are tailored to the prevailing circumstances and use proven, off-the-shelf technology. We are looking to partner with large, global companies seeking to grow quickly and work together to progressively add value to all assets in our portfolio.

Securing a large, global player as a farm-in partner will independently verify our technical assessment and likely lead to a material re-rating of the company. Building on this achievement and confirming suitable gas supplies for the Tassie Shoal projects and moving these projects into FEED would add further value and facilitate MEO's transformation into one Australia's leading petroleum companies.

We have talented and inspired commercial, engineering, financial and geological teams geared to find and develop substantial gas resources and deliver value to shareholders seeking leverage to large Australian gas projects.

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Thank you, Jürgen.

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For further information on MEO Australia Limited please visit [www.meoaustralia.com.au](http://www.meoaustralia.com.au) or call Jürgen Hendrich on (03) 9614 0430.

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