

NSX Announcement  
14 June 2011

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## **Operational Update: Electrical logging results of oil discoveries at Krasnoleninskiy Well No. 1 and Well No. 2 and commencement of drilling at Kazakhstan Well A-8**

International Petroleum Limited (NSX: IOP) (“International Petroleum” or the “Company”), an oil and gas exploration company with assets in Kazakhstan and Russia, is pleased to announce the results of the interpretation of electrical logging of Well No. 1 and Well No. 2 at its Krasnoleninskiy Project in Western Siberia, following both of the wells reaching their final depth and the commencement of drilling of Well A-8 at its Kazakhstan Project.

### **Krasnoleninskiy Well No. 1 and Well No. 2**

The interpretation of the electrical logging performed on both wells indicates that the Bazhenov and Tyumen suites are oil-bearing. In addition, the interpretation of the Palaeozoic suite indicates that the fractured zones in both wells are potentially oil-bearing.

Production casing has been installed and cemented in both wells, and the Company is currently preparing to carry out extensive testing of all zones.

The summary of the electrical logging interpretation logs for both wells is shown below. It should be noted that the difference between thicknesses interpreted from logs and those seen in cores taken from these wells and announced previously is due to the interpretation parameters used. These interpretation parameters discount sections that, although may be oil-bearing in the core, are not expected to contribute during production due to their low permeability.

### **Well No. 1: Electrical Logging Interpretations**

Formation	Net Thickness (metres)	Porosity (%)	Hydrocarbon Saturation (%)	Reservoir Fluid
Yu-0	14.6	10.0 (Matrix+Fractures)	87	Oil
Yu-2	9.7	13.0	62	Oil
Yu-4	4.4	13.2	61	Oil
Yu-6	4.3	11.0	58	Oil
Yu-7	2.4	11.0	56	Oil
PZ	5.7	Fractured	Oil Potential	Oil Potential
Total (Excluding PZ)	35.4			

**Well No. 2: Electrical Logging Interpretation**

Formation	Net Thickness (metres)	Porosity (%)	Hydrocarbon Saturation (%)	Reservoir Fluid
Yu-0	15.3	7.4 (Matrix+Fractures)	84	Oil
Yu-1	5.1	13.2	55	Oil
Yu-2-0	8.6	22.1	60	Oil
Yu-2	2.3	17.2	69	Oil
Yu-3	13.1	16.9	67	Oil
Yu-4	10.2	11.9	58	Oil
Yu-5	10.8	10.8	59	Oil
PZ	20.1	Fractured	Oil Potential	Oil Potential
Total (Excluding PZ)	65.4			

In April 2011, the Company announced the spudding of Well No. 1 and Well No. 2 at its Krasnoleninskiy Project, which comprises a 75% equity interest in the exploration rights to four blocks in Western Siberia. The four blocks cover a total area of 1,467 km<sup>2</sup> and are located in the Khanty-Mansiysk Region in Western Siberia, the largest oil-producing region of Russia.

The four licence blocks have been extensively surveyed by 1,450 kilometres of closely spaced 2D seismic, which identified more than thirty prospects, including five “superstructures”. Within these superstructures, there are a number of potential reservoirs, ranging in age from Palaeozoic to Cretaceous, stacked upon each other, offering the potential of multiple producing zones in a single well. In a report to evaluate the hydrocarbon resource potential dated 12 May 2011, Ryder Scott Company-Canada (“**Ryder Scott**”), an independent oil and gas consultant, estimated the unrisks prospective (undiscovered recoverable) resources of the four blocks at 169 (Low Estimate), 260 (Best Estimate) and 385 (High Estimate) million barrels. Based on the undiscovered unrisks resource estimates and scoping type resource economic evaluation reports from Ryder Scott and the oil shows in Well No. 1 and Well No. 2, the Company believes that the Krasnoleninskiy Project has significant exploration potential.

Well No. 1 and Well No. 2 are two of four wells that are planned to be drilled at the Krasnoleninskiy Project and were drilled simultaneously, using two separate drilling rigs, in two of the four licence blocks.

**Commencement of drilling of Well A-8 at the Kazakhstan Project**

The Company has commenced drilling Well A-8 of its Kazakhstan Project.

Well A-8 is the fourth well to be drilled in the licence area of the Kazakhstan Project and is located in the Almaty Province of eastern Kazakhstan, near the border with China. Artesian wells in the area are associated with oil seeps and films of oil, proving the Alakol Basin has generated hydrocarbons. Seismic data indicates that potential Jurassic and Triassic reservoirs are present as stratigraphic traps on the flanks of Paleozoic-age volcanic intrusions or basement highs. In a report to evaluate the hydrocarbon resource potential dated 6 June 2011, Ryder Scott estimated the unrisks prospective (undiscovered recoverable) resources at 935 (Low Estimate), 1,379 (Best Estimate) and 1,980 (High Estimate) million barrels. Based on the undiscovered unrisks resource estimates from Ryder Scott, the Company believes that the Kazakhstan Project has an exploration potential of 1.4 billion barrels (Best Estimate) and plans to drill one or two exploration wells in 2011 to a depth of approximately 2,000 metres at a cost of approximately US\$4million each.

Chris Hopkinson, International Petroleum CEO said “*The interpretation of the electrical logs indicates that both wells have more potential than we expected based purely on the coring results. This is very*

*encouraging, not only from the point of view of the expected production rates, but also from a reserves standpoint. The potential reserves in the Krasnoleninskiy Project will underpin the value of the Company, and we are excited that the spudding of Well A-8 in Kazakhstan starts the testing of a new exploration model with a potential 1.4 billion barrel prize”.*

Commenting on the oil discoveries, Non-Executive Chairman Tony Sage said *“The electrical logging confirms greater thicknesses of oil-bearing formations than were estimated by Ryder Scott in its hydrocarbon resource estimates. We look forward to the results of further testing of these two wells and, based on the significant thicknesses of oil-bearing formations that have been discovered, we expect to move towards development of the field, with potentially early pilot production of oil and cash flow in early 2012”.*

Yours faithfully

Tony Sage

**Non-Executive Chairman**

*It should be noted that the discoveries are unappraised and at this time the log interpretation results cannot be used to predict productivity or commerciality of the discoveries. It should be clearly understood that these discoveries serve only to de-risk the Ryder Scott-Canada resource estimates in the discoveries and in other exploration plays in this Krasnoleninskiy Project.*

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## **About International Petroleum**

International Petroleum is an oil and gas exploration company.

The Company is listed on the National Stock Exchange of Australia (**NSX: IOP**).

The Company owns a 75% equity interest in the exploration rights to four blocks in Western Siberia (**“Krasnoleninskiy Project”**). The four blocks comprising the Krasnoleninskiy Project cover a total area of 1,467 km<sup>2</sup> and are located in the Khanty-Mansiysk Region in Western Siberia, the largest oil-producing region of Russia.

The Company also owns a 50% interest in an early stage project covering 24,649 km<sup>2</sup> in eastern and south eastern Kazakhstan (**“Kazakhstan Project”**), which borders the western boundary of the People’s Republic of China. International Petroleum’s subsidiary company, North Caspian Petroleum Limited, has exclusive exploration rights to the Kazakhstan Project until November 2012.

Whilst the Company is focused on exploration at its projects in Russia and Kazakhstan, it continues to evaluate other projects for potential acquisitions.