

Vali operations update

Vintage Energy Ltd (ASX: VEN, “Vintage”), 50% interest holder and Operator of the ATP 2021 Joint Venture (other interest holders: Metgasco Ltd, 25%; and Bridgeport (Cooper Basin) Pty Ltd, 25%,) provides the following update on the Vali gas project.

Summary

The performance of Vali-1 has been pleasing and encouraging for expectations of the well’s long-term productivity.

Vali-1 has continued to perform in-line with pre-production forecasts and test results. The well has maintained consistent production and high availability throughout its 65 days online to 26 April 2023.

Operations at Vali-2 are currently suspended pending the arrival of additional equipment and crew on-site to conduct fluid removal and other operations necessary to bring the well online after earlier attempts were unsuccessful. Further detail on Vali-2 operations and status is provided below under the heading ‘Discussions of operations’.

Vali-3 maintained steady production averaging 1.3 MMscf/day raw gas from coming online until 7 April 2023, when shut-in was required due to SA Cooper Basin Joint Venture maintenance. Accumulation of water in the wellbore during this non-productive phase prevented the resumption of gas flow.

The conduct of operations at both wells has been frustrated by low availability of equipment and crew. However, crew and equipment are expected on-site in the coming days to commence fluid removal, focussing on Vali-2 initially.

Vintage fully expects long term stable production from all three Vali wells once dewatering and other remedial actions are accomplished on Vali-2 and Vali-3. This is anticipated to be achieved within the current financial year.

Comment by Managing Director, Neil Gibbins

“The performance of Vali-1 is pleasing and highly encouraging. While we have been delayed at Vali-2 and Vali-3, our strong reserves position is unchanged. Moreover, our recent experience in the market has upgraded our assessment of the value of our gas, over 80% of which remains uncontracted.

“We expect the current program will lead to increased production and gas sales in the current quarter as Vali-2 and Vali-3 come online”.

Background

The Vali gas field, discovered by the joint venture in 2020, supplies gas to eastern Australia under a long-term contract with AGL Energy announced 23 March 2022. The Vali project comprises three completed wells which are connected to purpose-built facilities located adjacent to Vali-1. Twin export pipelines transport gas from the field to the Moomba gas gathering network for processing via a tie-in at the Beckler gas field.

Vali has been independently certified as having proved and probable gas reserves of 101 petajoules¹ (PJ) (Vintage share 50.5 PJ). The joint venture has contracted to supply an estimated 9 PJ to 16 PJ gas to AGL from field start-up to end-2026.

At Vali-1, production is currently being sourced solely from the Patchawarra Formation. The well is also completed in the Toolachee Formation and production from this zone will be initiated at a later date. Vali-2 and Vali-3 will source initial production from the Toolachee Formation and appraise the production performance of this formation in a crestal location on structure (Vali-2) and towards the outer limit of the structural closure (Vali-3). Production from the Patchawarra Formation at Vali-2 and Vali-3 will be addressed at a later stage, as part of the appraisal through production strategy.

Supply from the field commenced 21 February 2023 when Vali-1 was brought online. As announced 28 March 2023, Vali-3 commenced supply on 27 March 2023 and the focus of operations shifted to bringing Vali-2 online. The commencement of production from both Vali-3 and Vali-2 had been delayed by the need to remove fluid which had accumulated in the well bores in the period since well completion.

Discussions of operations

Vali-1

Vali-1 has been online for nearly two months. Well performance has met pre-production forecast, averaging a raw gas stream rate of 3.8 MMscfd during this period. Vali-1 and the Vali facility recorded 99% availability in this period.

Total system availability inclusive of non-operated downstream infrastructure recorded an 88% total system availability.

Vali-2

As previously reported, and noted above, accumulation of fluid in the Vali-2 wellbore has prevented the establishment of stable gas production from the well. Visual analysis of this fluid indicates it is likely to be residual from fracture stimulation of the Patchawarra formation, which had been stimulated, but isolated with a downhole plug to enable initial production to be sourced solely from the higher more permeable Toolachee formation.

The appearance and volume of fluid recovered, suggests the downhole plug has permitted ingress of residual fracture stimulation fluid from the deeper Patchawarra formation into the wellbore.

The volume of fluid is such that additional equipment and crews are required to effect removal and conduct downhole operations to investigate and, if necessary, conduct remedial operations.

The equipment and crew are expected on site in a matter of days.

¹ Announced to the ASX 5 November 2021. Vintage Energy confirms it is not aware of any new information or date that materially affects the information included in the announcement and that all the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply.

Vali-3

Vali-3 recorded average raw gas production of 1.3 MMscfd whilst online in the 11 days from coming online until a network outage downstream of Vintage-operated infrastructure required the well to be shut-in. This production rate was lower than the stabilised rate of 3.5 MMscfd recorded on flowback² with the variation believed to be attributable to the ongoing clean-up of the well bore.

Resumption of production from Vali-3 has not occurred as water accumulated during the 6 days of the shut-in has impeded establishment of stable gas flow. As reported on 28 March 2023, the water accumulated in Vali-3 is assessed to be formation water. Formation water was anticipated from the well and its management has been catered for through the installation of separation and storage facilities. However, the volume of water accumulated during the shut in was sufficient to inhibit gas production. Operations at Vali-3 have been suspended pending the arrival of the dewatering equipment and crew.

Vintage anticipates removal of the water accumulation in the well bore will enable gas production to recommence as occurred with the initial production from the well in March, using the same methodology. Resumption of production will enable analysis and monitoring of reservoir performance to identify optimal pathways to bring gas production from Vali-3 closer to the performance demonstrated on test.

This release has been authorised on behalf of the Vintage Board by Mr. Neil Gibbins, Managing Director.

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About Vintage

Vintage Energy (ASX: VEN) is an oil and gas exploration and production company supplying gas to eastern Australia domestic energy users from the Cooper Basin, Australia. The company is the Operator and largest interest holder of the Vali and Odin gas fields. Marketing of the largely uncontracted gas from these fields is expected to underpin ongoing development of Vintage's gas contract portfolio and future production.

Vintage is pursuing additional resources through appraisal of the fields and exploration of its acreage in proven petroleum provinces in the Cooper, Otway, Galilee and Bonaparte Basins. Commercialisation of the high-grade Nangarry carbon dioxide resource in the onshore Otway Basin holds potential for long-term value generation.

² Flow recorded in August 2022 over a 5.25-hour period through a ½" choke at a stabilised wellhead pressure of ~750 psig.