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## **ASX and Media Release**

26<sup>th</sup> June 2009

### **ACQUISITION OF 2 UK PRODUCING OILFIELDS**

Key Petroleum Ltd (**ASX: KEY**) has entered into an agreement with Midmar Energy Limited, an unlisted United Kingdom company, to acquire its wholly-owned subsidiary Midmar Energy Onshore Limited (MEOL), whose assets include 2 producing oilfields located in the south east of England, for the sum of £2,000,000 pounds sterling (approximately \$4,050,000 Australian dollars ).

Subject to a number of conditions precedent including governmental approvals and due diligence requirements, the transaction should be completed within approximately 45 days.

The 2 producing oilfields, that will become 100% owned and operated by Key Petroleum Ltd, are the Brockham Oil Field and the Lidsey Oil Field. Both fields are only partially developed and are located in the oil prone Weald Basin. Oil currently produced from both fields is trucked and sold into the nearby BP Hamble facility at Southampton. These fields currently produce approximately 85 bbls of oil per day (bopd). Key Petroleum believes there is potential for increased production from these fields through innovative drilling and workovers.

Schlumberger geomodeling and simulation studies in 2002 for the Lidsey Field indicated field STOIP of some 9.2 MMstb. Their simulation study predicted that a single horizontal well in the Lidsey Field should be capable of increasing total field production to over 500 bopd. Key Petroleum will study this option in more detail in the coming months with a view to increasing the developed recoverable reserves from the current 128,000 bbls to 343,000 bbls. On this basis, the purchase price to be paid by Key is approximately US\$9.33/bbl.

The Brockham Facility is located at Brockham in Surrey, within PEDL 235 and is a self-contained production unit consisting of tanks, generators, pumps and separator equipment designed to handle the produced 28 degrees API oil. The field was originally discovered in 1987 by a consortium led by BP. Midmar brought the field onto production in 2002. It currently has in the region of 159,000 bbls of recoverable reserves, however, Key's review of the Brockham field leads it to believe that there is a potential 483,000 bbls of further recoverable reserves which may be accessible following a number of remedial steps on one of the field's wells which is currently underperforming.

The Lidsey Facility is located at Lidsey in Hampshire in PEDL 241 and is a self-contained production facility designed to handle all treatment and export of the produced 37 degrees API oil. The field was originally discovered by Carless Exploration Plc in 1987. Midmar became a partner in Lidsey in 2001, acquiring full ownership in 2005. MEOL brought Lidsey production on stream in March 2008 after construction of new production facilities.

Southern England is home to a number of oil fields that include the largest onshore producing oil field in the United Kingdom, Wytch Farm developed by BP. That field is believed to have produced in excess of 400 million bbls of oil and has produced at a rate of over 100,000 bopd.

Key Petroleum's Managing Director /CEO, Ken Russell, said, *"There is now a degree of stability and a building confidence in better world oil prices. These reflect an ever increasing demand for oil and a realisation that higher oil prices are seemingly inevitable. Our technical team has spent considerable time and effort reviewing and attempting to source oil assets for Key. We believe that the acquisition of MEOL with its oil production provides Key with an ideal low risk entry into oil production at this time. It also provides a degree of regular cash flow for the Company as we move forward."*

*"From an operational point of view, both of these UK fields are onshore and low cost to operate but importantly have potential upside. They open up further opportunities for the Company as an oil field operator, particularly in the UK and into western Europe."*

*"Key's earlier success with our gas find at Kiliwani North #1 in Tanzania and now our entry into oil field production and operations consolidates Key into an E & P Company." Mr Russell said.*

**Background:**

Key Petroleum Ltd currently is involved in oil and gas projects in Tanzania where it holds interests in the West Songo Songo block (50%) and is the Operator and in the Nyuni block (20%) where it has the Kiliwani North #1 gas discovery. Key also holds both on and offshore interests in Italy, which it owns (100%) and in Suriname, an established oil producing area where it indirectly holds a free carry interest in 2 onshore blocks, Coronie and Uitkijk.

For further background information please see the Company's website at <http://www.keypetroleum.com> or contact

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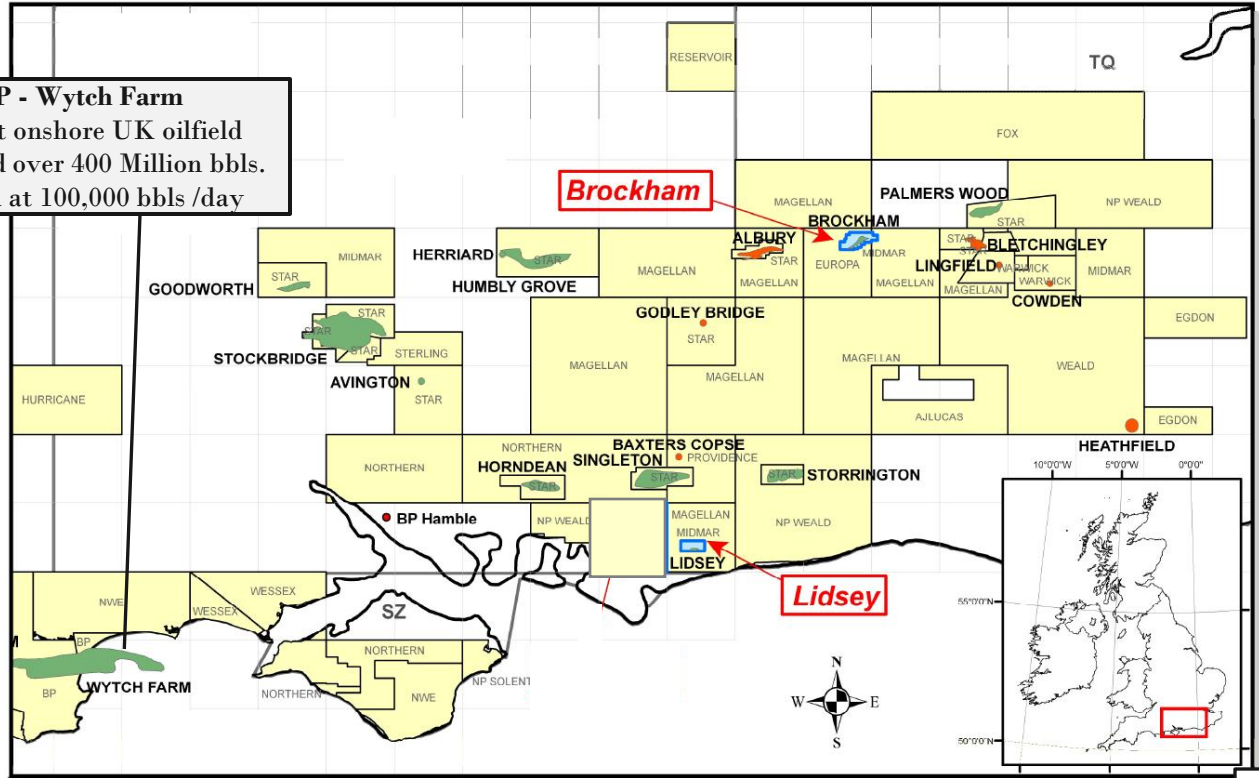
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*NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Ken Russell, Managing Director/CEO of Key Petroleum Ltd, who has at least 5 years experience in the sector. He consents to that information in the form and context in which it appears.*

# WEALD BASIN - GENERAL AREA

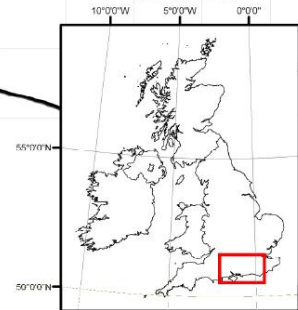
Number Of Oilfields Including The Lidsey And Brockham Fields

**BP - Wytch Farm**  
 Largest onshore UK oilfield  
 Produced over 400 Million bbls.  
 Peaked at 100,000 bbls /day



0 2.5 5 10 15 20  
 Kilometers

**UK Onshore Licences**  
 2009



**Legend**

**Fields**

- Oil
- Gas
- Key Pet.

**Licences**

- Licence

N.T.S.