

InterOil surges on PNG discovery.

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PERTH, Jan 30 AAP - Shares in InterOil Corp surged 28 per cent today after the company announced the discovery of a new oil system in the Eastern Papuan Basin in Papua New Guinea.

The stock jumped 24 cents to close at \$1.10 on turnover of 539,952 after climbing to an intraday high of \$1.15.

Chief executive Phil Mulacek hailed the discovery as a major breakthrough which fast tracked InterOil's plan to find and deliver oil to its **Port Moresby refinery**.

"While significant work is still to be undertaken, we are optimistic that our exploration could revitalise PNG oil production and are encouraged by the findings of CSIRO which confirm our own analysis," he said.

The discovery was based on the presence of hydrocarbons in pale sandstones cores from two stratigraphic wells.

CSIRO has provided independent expert verification reporting that the reservoir quality of the pale sandstone is good, and that oil samples are from two separate sources.

InterOil exploration director Andy Carroll said it was premature to estimate the size of the discoveries. However, the thickness of the sandstone suggested it would be comparable to the Kutubu fields in PNG which contain more than 300 million barrels.

He also noted the close location of the fields to the company's refinery would allow for lower development costs and early production.

"We think fields as small as 10 barrels could be commercial which is about a factor of 10 different than that of the foldbelt," he said.

InterOil, which has been awarded a new licence that includes all the identified pale sandstone prospects, planned to fund the drilling of a further four wells in 2002 to test large structures, estimated to cost \$US750,000 each.

When the \$180 million refinery is commissioned in 2003, it will process 32,500 barrels per day of crude oil supplied under a contract with BP Singapore.

The resulting refined products will be sufficient to supply the PNG domestic market, leaving approximately 35 percent of the volume available for export, with sales secured by contacts with Shell.

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