



Note: The following press release is an English translation of the Japanese-language original

May 2, 2017

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**Steam injection starts in Hangingstone Oil Sands Project
at Hangingstone leases in the Province of Alberta, Canada**

Japan Petroleum Exploration Co., Ltd. (JAPEX) has started steam injection into the oil sands layer on April 28, 2017, for start-up of bitumen (ultra heavy crude oil extracted from oil sands) production utilizing SAGD at the Hangingstone leases in the Province of Alberta, Canada, where JAPEX, through its consolidated subsidiary, Japan Canada Oil Sands Limited (JACOS), is proceeding with development work (the Hangingstone Oil Sands Project).

JACOS started field construction of the Hangingstone Oil Sands Project in February 2013. Bitumen production from the operation is expected to be 20,000 barrels per day. The drilling of production and steam injection wells for the production operation was completed in February, 2015. In February, 2017, JACOS completed the construction work on the Central Processing Facility and work began to prepare for the start of steam injection.

The start of steam injection is the final preparation phase for start-up of production operations. JACOS will raise the temperature and pressure of the oil sands layer located at 300m underground over the next two to three months, and the start-up of production is expected around the middle of the year, as planned. Production volumes of bitumen will gradually increase and are expected to reach 20,000 barrels per day by mid-2018.

JAPEX has been pursuing oil sands development in Canada for 40 years, since 1978. In 1999, as the forerunner, JAPEX succeeded in bitumen production utilizing SAGD at the Hangingstone Demonstration Project. (The production operation has been temporarily suspended*3) After that, JAPEX has been advancing a development project at Hangingstone to achieve full-scale commercial production operations.

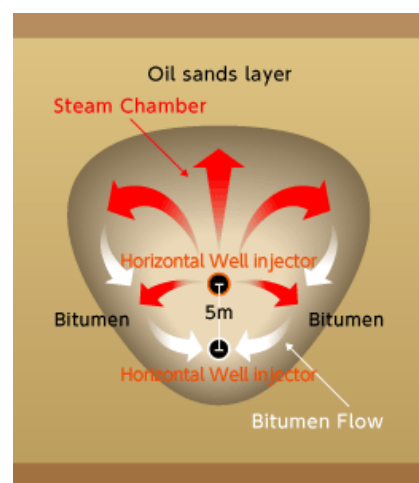
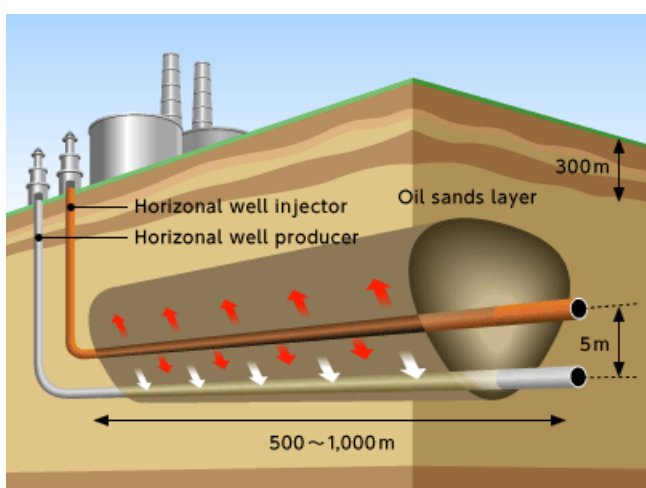
With the Hangingstone Oil Sands Project, JAPEX will achieve an increase of bitumen production and establish a long term and sustainable production base, making the oil sands business one of JAPEX’s core business areas. The Hangingstone Oil Sands Project is operated by JACOS holding a 75% participating interest in a joint venture with Nexen Energy ULC, a CNOOC Limited Company, who holds the remaining 25% interest.

This start of steam injection is in line with the current consolidated financial forecasts for FY2017/3, and the impact on the consolidated financial result of FY2018/3 is expected to be taken into account in the financial forecast to be announced later.

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*1: Press Release by JAPEX, November 8, 2016, “Updating Production Schedule and Cost Forecast of the Hangingstone Oil Sands Project in the Province of Alberta, Canada”

*2: In SAGD, two wells with horizontal sections of between 500m and 1,000m in length are drilled with a spacing of approximately 5m between the upper and lower wells in the oil sands layer located at 300m underground. The extraction process involves heating the oil sands layer by continuously injecting high-temperature, high-pressure steam into the upper well to provide liquidity to the bitumen, which in turn flows down to the lower well and is recovered along with hot water. JACOS has been achieving operational efficiencies that minimize freshwater consumption by recycling at least 90% of the hot water produced.



*3: Press Release by JAPEX, May 12, 2016, “Temporary Suspension of the Production Operation at the Hangingstone Demonstration Project area in the Province of Alberta, Canada”

*4: History of JAPEX's Oil Sands Development

- 1978 JACOS was established to promote a national project by Japanese government and private companies.
- 1997 After testing various extraction methods, viability of the SAGD method in Athabasca region was proved.
JACOS started developing the Demonstration Project to recover bitumen utilizing SAGD.
- 1999 Production started at the Demonstration Project.

(Following is the Hangingstone Oil Sands Project)

- 2005 Geological evaluation to support development began.
- 2012(December) Development approval from the relevant authority of the provincial government of Alberta was received and the Final Investment Decision was made.
- 2013(February) Construction began. (Early civil work)
- 2015(February) Drilling of horizontal well pairs was completed.
- 2017(February) Field construction of facility was completed.
- 2017(April) Steam injection into horizontal wells began.
- Mid-2017 Bitumen production is expected to commence.
- Mid-2018 Bitumen production is expected to achieve peak rate (20,000 barrels per day)

*5: Picture of starting steam injection in the Hangingstone Oil Sands Project (April 28, 2017)



(Picture 1: the Central Processing Facility has started providing steam to the horizontal wells)



(Picture 2: Steam is being injected through the Wellhead facilities)