Commencement of Oil Development of a Shallow Reservoir of Yufutsu Oil and Gas Field in Hokkaido

Japan Petroleum Exploration Co., Ltd. (JAPEX) announced that it decided to commence oil development of a shallow reservoir named the Takinoue Formation of the Yufutsu Oil and Gas Field in Tomakomai city, Hokkaido from July 2017 aiming commercial production of crude oil. The Takinoue Formation is a discovered but undeveloped reservoir which is shallower than the current oil and gas producing reservoir of the Field.

JAPEX discovered crude oil after its exploration activities in northern part of this oil reservoir and successfully conducted production test in 2013 (*). Subsequently, we continued evaluation of the oil reserves in the entire shallow reservoir and property analysis of produced oil, and study of appropriate development plan and feasibility of the development. As a result, it decided to commence development, since it is expected that crude oil reservoir spread out widely in the Takinoue Formation while the quality of oil is heavy, and we can secure the economic efficiency by reduction of development cost such as modification of existing wells and diversion of idle production facilities of the Yufutsu Oil and Gas Field.

JAPEX will commence development from coming July 2017, proceeding modification of the existing wells to the production wells and conducting installation work of additional well-head facilities and heavy oil processing facilities in order. Commencement of oil production is anticipated in the second half of 2019 and initial production rate is expected 200 kiloliters per day. We also continue the reserves study for the shallow oil reservoir, and pursue the possibility of additional development.

The impact of this matter to the consolidated financial forecast of the fiscal year ending March 31, 2018 is negligible, and we will disclose the impact to the consolidated financial forecast in future appropriately after the fiscal year ending March 31, 2019.

(Notice) * Please see the press release unveiled on April 11, 2013 "Successful Result of Crude Oil Production Test in Hokkaido"

(Appendix) Map of the Yufutsu Oil and Gas Field and its main facilities concerning this announcement
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