



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

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### **Transition to 20,000 barrels/d Stable Production Operations at the Hangingstone Oil Sands Project**

Japan Petroleum Exploration Co., Ltd. (JAPEX) announces the transition to stable bitumen (ultra heavy crude oil extracted from oil sands) production operations of 20,000 barrels per day scale at the Hangingstone leases in the Province of Alberta, Canada, where JAPEX, through its consolidated subsidiary, Japan Canada Oil Sands Limited (JACOS), has been proceeding with development work (the Hangingstone Oil Sands Project (\*1)).

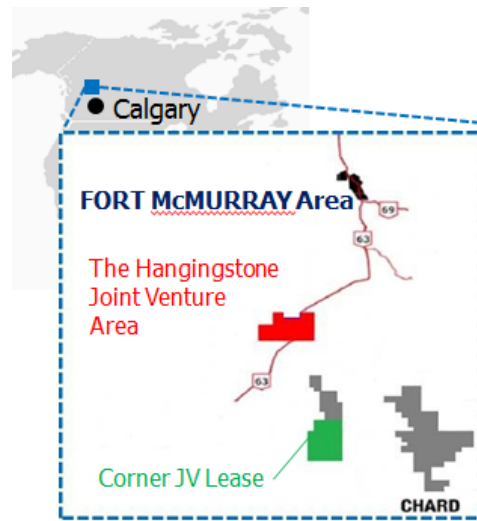
At the Hangingstone Oil Sands Project, JAPEX, through JACOS, commenced drilling of wells and construction of facilities in February 2013 aiming at production of bitumen with a daily volume of 20,000 barrel scale using the SAGD method (\*2). Construction of Central Processing Facility was completed in February 2017, injection of steam into the oil sand reservoir was started in late April 2017 as the final preparation step for start-up of production operations (\*3), and commenced production operations in August 2017 (\* 4).

Aiming for stable production in latter 2018, the start-up of the operation has gone well, and with the average of the daily production volume in the recent one month period exceeding 20,000 barrels per day, the Hangingstone Oil Sands Project has now shifted to the stable production phase.

With its extensive experience of approximately 40 years in the Canadian oil sands business, we will continue the stable production operations of bitumen for years to come. We will aim to strengthen the competitiveness and maximize the value of the project by reductions of operating expenses, general administrative expenses and future capital expenditures, as well as pursuing the possibility of further improvement of SAGD method including adoption of new technologies.

The consolidated financial forecasts for the fiscal year ending March 31, 2019, remain unchanged regardless of this matter.

(Location of Hangingstone leases)



(Note)

- (\*1) The Hangingstone Oil Sands Project is a joint project between JACOS having a participating interest of 75% and acting as the operator and NEXEN Energy ULC (a wholly owned subsidiary of CNOOC Limited) with a participating interest of 25%.
- (\*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. Heading in to the start-up process, steam is injected into both production well and steam injection well (steam circulation mode) and once sufficient rise in temperature and pressure of the oil sands layer occurs, the wells are switched to full scale use mode (Semi SAGD/SAGD mode).
- (\*3) Press Release by JAPEX, May 2, 2017 “Steam injection starts in Hangingstone Oil Sands Project at Hangingstone leases in the Province of Alberta, Canada”.
- (\*4) Press Release by JAPEX, August 8, 2017, “Start of Production Operations in Oil Sands Project at Hangingstone in the Province of Alberta, Canada, and Decision not to Re-start SAGD Operations in the 3.75 Section Area”.

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