安東石油
Antonoil

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Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

**Announcement**

# Operational Update on the Third Quarter of 2013 and Outlook for the Fourth Quarter of 2013

The Board of Directors of Anton Oilfield Services Group (the "**Company**", together with its subsidiaries, collectively the "**Group**") is pleased to announce the operational update and order backlog for the three months from 1 July 2013 to 30 September 2013 (the "**Quarter**").

## OVERVIEW

In the Quarter, domestic oil and gas exploration and development moved ahead steadily to meet the production targets for the year. The Tarim Basin, Erdos Basin and Sichuan Basin remained priority regions for the build-up of production capacity. The Group's localized market strategy for these three basins has yielded remarkable results. The Group promoted its products and services in response to the varied technological needs of these basins, and thus further increased market penetration. In the Tarim Basin, the application of new technologies around drilling optimization and stimulation continued to expand, while tubular services witnessed solid growth. In the Erdos Basin, rig service and pressure pumping service catering to the basin's drilling and stimulation needs were fully rolled out. In the Sichuan Basin, rig service and well completion services to meet drilling and well completion needs developed well.

In the overseas market, capacity building in key markets progressed steadily, with Iraq remaining a priority market for the construction of production capacity. Through cooperation with Chinese services providers, the Group's market presence extended to projects operated by international oil companies, going beyond the original market segment of Chinese investors to include the segment of international oil companies, thus opportunities abound. In South America, the Group signed a strategic cooperation agreement with an international well completion tools manufacturer, which would help support the Group's development in South America.

## OPERATIONAL UPDATE ON THE THIRD QUARTER OF 2013

During the Quarter, the Group's core business, oil and gas field development technical services, completed 439 jobs by well count, 39 jobs less compared with 478 jobs in the same period last year (the number of jobs excludes oil production service which operates on a project basis). Nevertheless, thanks to its continued promotion of new technologies, the Group secured more jobs of larger size, including, among others, those in directional drilling services, well completion integrated services and coiled tubing services. The Group continued to develop steadily.

During the Quarter, the Group's rigs and pressure pumping equipment were successively put into operation. The pressure pumping equipment was deployed in the Erdos Basin and Sichuan Basin to provide pressure pumping service in response to local needs for stimulation of conventional gas and tight gas. The rigs were all operated at full capacity in the Erdos Basin and Sichuan Basin and drove the demand for the Group's other services.

During the Quarter, the development of tubular services progressed well. In particular, tubular leasing service grew further, while casing and tubing inspection service launched earlier this year already secured the client's intent of cooperation and is about to enter into larger-scale application.

In September 2013, the Group renewed its strategic cooperation agreement with Schlumberger for an additional term of three years, which, compared with previous strategic cooperation agreements, has gone further by expanding the market coverage from regional target markets to the entire Chinese land market and broadening the scope from stand-alone services to a full range of services in multiple clusters, and from one-way procurement to mutual supply. The latest renewal has fully strengthened the strategic cooperation between the two companies on market, product, procurement and managerial support, thereby promoting further development of both companies in the Chinese market.

## NEW ORDERS AWARDED OR MAJOR CONTRACTS SIGNED

— In the Tarim Basin, a new fiber-diverting volume fracturing service contract was signed;

— In the Erdos Basin, for tight oil and gas development, a tender for the provision of horizontal multistage fracturing services was awarded, which adopts open-hole multistage fracturing technology and two new fracturing technologies with coiled tubing, with an estimated order of 53 jobs and an estimated contract value of over RMB 100 million;

— In Iraq, a new directional drilling optimization service contract in the Halfaya project was awarded with a projected revenue of about USD 7.7 million for the duration of the three-year term; a new coiled tubing acidizing service contract was signed in a project in southern Iraq for a term of three years, with an estimated revenue to be approximately USD 30 million for the duration of the service term.

## PROGRESS IN ALIGNMENT OF STRATEGIC RESOURCES

To implement an integrated service strategy driven by high-end services and supported by regular services, the Group has accelerated its capacity building efforts in regular services. In July 2013, an additional capacity of 20,000 hydraulic horsepower ("**HHP**") had been delivered, which brought the total pressure pumping service capacity as of 30 September 2013 to 75,200 HHP, all successively in operation in the Quarter. A third rig was delivered in late July. As of 30 September 2013, the Group had three purchased rigs in the 5,000-meter model, which were all in operation in the Quarter. The two additional sets of coiled tubing equipment purchased in the first half of 2013 had arrived the Group's international headquarters in Dubai by July 2013, one of which was being shipped to the newly awarded project in Iraq. A strategic cooperation agreement was signed with an international coiled tubing tools service provider to support the Group's application of new coiled tubing technologies in the domestic market.

In terms of human resources building, in the Quarter, the Group completed the induction and group training of the new graduate recruits, who are now receiving on-site training on various operation sites.

During the Quarter, the Group successfully held its first Quality, Health, Safety and Environment ("QHSE") Committee meeting under the Board of Directors. The meeting identified the objectives for developing the Group's QHSE system and crafted detailed action plans, which serves to promote the Group's QHSE system to be in line with international standard.

## OUTLOOK FOR OPERATIONS IN THE FOURTH QUARTER OF 2013

Looking ahead to the fourth quarter, domestic and overseas markets are expected to continue steady growth. The Group remains committed to promoting fit-for-purpose technologies to help its clients meet their production targets. Domestically, the Group will continue to offer services in response to the varied technical needs of the three basins. In the Tarim Basin, services will be promoted around its need for the improvement of drilling performance and production and for integrated services. In the Erdos Basin, services to address drilling and stimulation needs will be provided to serve multiple clients in the region while the Group will brace for greater emerging market opportunities with adequate service capacity. In the Sichuan Basin, services will mainly target drilling and well completion needs while the Group will proactively prepare for client needs for shale gas development. Tubular services will expedite the promotion of large-scale application of casing and tubing inspection service. In the overseas market, Iraq is presenting opportunities for further development. While cementing the existing market segment of Chinese investors in Iraq, the Group will continue to expand the development of the local market. The Group will also strive to pursue more business volume in South America.

Currently, the Group's rig services are busy catching up with the strong demand. On the one hand, the Group will advance its own capacity building for the provision of rig services as planned; on the other, it will leverage the Group's managerial strength to manage third-party rigs, in order to support the Group's integrated services. Building of pressure pumping service capacity will continue to proceed in line with the requirements for the Group's strategic deployment. Through the application of optimization technologies, directional drilling services will be promoted to the next level of growth. Through the application of stimulation technologies, well completion technical services will advance their development. To address the need for environmental protection in energy development, preliminary market preparations are commencing.

In line with the objective of building modern industries with clean energy under the 12th Five-year Plan, natural gas development activities will further intensify. At the same time, the commitment of the Chinese government to market-oriented reform will promote the Chinese oil and gas industry to become more open and buoyant. The Group will formulate its long-term development plan to actively respond to the long-term national strategy. The Group will devise its development strategy for 2014 based on its long-term plan, setting out plans for service capacity such as technologies, equipment, human resources as well as financing to pave the way for the sustainable development of the Group.

By order of the Board
**Anton Oilfield Services Group**
**LUO Lin**
*Chairman*

Hong Kong, 15 October 2013

*As at the date of this announcement, the executive Directors of the Company are Mr. Luo Lin, Mr. Wu Di and Mr. Liu Enlong; the non-executive director is Jean Francois POUPEAU; and the independent non-executive Directors are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.*

## APPENDICES:

## OPERATIONAL SUMMARY OF OIL AND GAS FIELD DEVELOPMENT TECHNICAL SERVICES

| Business cluster | Major Product Classification | Number of jobs completed in the Quarter (Well counts) | | | Number of jobs completed in the same quarter 2012 (Well counts) | | | Year-to-date total number of jobs completed (Well counts) | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Domestic | Overseas | **Sub-total** | Domestic | Overseas | **Sub-total** | Domestic | Overseas | **Sub-total** | |
| **Drilling Technology Cluster** | Directional drilling services | 14 | 14 | **28** | 26 | 10 | **36** | 51 | 29 | **80** | — |
| | Drilling fluid services | 1 | — | **1** | — | — | **—** | 10 | — | **10** | |
| | Drilling new technology services | 3 | — | **3** | 4 | — | **4** | 8 | — | **8** | Previously called "Integrated Services" |
| | Rig services | 2 | — | **2** | — | — | **—** | 4 | — | **4** | — |
| | **Sub-total** | **20** | **14** | **34** | **30** | **10** | **40** | **73** | **29** | **102** | — |
| **Well Completion Cluster** | Well completion integration services | 25 | 27 | **52** | 24 | 34 | **58** | 66 | 81 | **147** | Well completion service work volume is disclosed only by the number of jobs performed and excludes product sales. |
| | Gravel packing services | 110 | — | **110** | 139 | — | **139** | 320 | — | **320** | Gravel packing service work volume is disclosed only by the number of jobs performed and excludes product sales. |
| | **Sub-total** | **135** | **27** | **162** | **163** | **34** | **197** | **386** | **81** | **467** | — |
| **Down-hole Operation Cluster** | Multistage fracking services | 48 | — | **48** | 45 | — | **45** | 148 | — | **148** | — |
| | Coiled tubing services | 72 | 34 | **106** | 66 | 49 | **115** | 192 | 95 | **287** | — |
| | Pressure pumping services | 36 | — | **36** | — | — | **—** | 62 | 1 | **63** | — |
| | Tubular helium testing services | 53 | — | **53** | 81 | — | **81** | 178 | — | **178** | — |
| | **Sub-total** | **209** | **34** | **243** | **192** | **49** | **241** | **580** | **96** | **676** | — |
| | **Total** | **364** | **75** | **439** | **385** | **93** | **478** | **1,039** | **206** | **1,245** | — |

## OPERATIONAL SUMMARY OF TUBULAR SERVICES

| Business Cluster | Major Product Classification | Number of jobs completed in the Quarter (Number of tubular pipes) | | | Number of jobs completed in the same quarter 2012 (Number of tubular pipes) | | | Year-to-date total number of jobs completed (Number of tubular pipes) | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Domestic | Overseas | **Sub-total** | Domestic | Overseas | **Sub-total** | Domestic | Overseas | **Sub-total** | |
| **Tubular Services Cluster** | Inspection and evaluation (tubular inspection) | 209,346 | 16,731 | **226,077** | 181,783 | 19,796 | **201,579** | 661,530 | 50,300 | **711,830** | — |
| | Operation management and repair (repair, welding, coating) | 102,849 | 4,406 | **107,255** | 90,860 | 2,770 | **93,630** | 316,068 | 12,328 | **328,396** | — |
| | Tubular leasing | 1,803,870 | — | **1,803,870** | 607,860 | — | **607,860** | 3,418,659 | — | **3,418,659** | Tubular leasing service is measured by the number of tubular pipe days. |

## ORDER BACKLOG OF OIL AND GAS FIELD DEVELOPMENT TECHNICAL SERVICES

| Business cluster | Major Product Classification | Confirmed jobs in the backlog as of 30 September 2013 (Well counts) | | | Remark |
|---|---|---|---|---|---|
| | | Domestic | Overseas | **Sub-total** | |
| **Drilling Technology Cluster** | Directional drilling services | 17 | 30 | **47** | — |
| | Drilling fluid services | 13 | — | **13** | — |
| | Drilling new technology services | 3 | — | **3** | Previously called "Integrated Services" |
| | Rig services | 5 | — | **5** | — |
| | **Sub-total** | **38** | **30** | **68** | — |
| **Well Completion Cluster** | Well completion integration services | 21 | 29 | **50** | — |
| | Gravel packing services | 200 | — | **200** | — |
| | **Sub-total** | **221** | **29** | **250** | — |
| **Down-hole Operation Cluster** | Multistage fracking services | 50 | — | **50** | — |
| | Coiled tubing services | 60 | 35 | **95** | — |
| | Pressure pumping services | 50 | — | **50** | — |
| | Tubular helium testing services | 103 | — | **103** | — |
| | **Sub-total** | **263** | **35** | **298** | — |
| | **Total** | **522** | **94** | **616** | — |

*Notes:*

- The confirmed jobs in the backlog are completed in different progress during the term of the contracts, and the progress of job completion depends on a multitude of factors, including but not limited to the operation schedules of the clients, the progress of upstream operations, weather conditions, and the availability of all service resources.

- Most of the jobs in the backlog mentioned above will be completed in the next 12 months.

## ORDER BACKLOG OF TUBULAR SERVICES

| Business Cluster | Major Product Classification | Confirmed jobs in the backlog as of 30 September 2013 (Number of Tubular Pipes) | | | Remark |
|---|---|---|---|---|---|
| | | Domestic | Overseas | **Sub-total** | |
| **Tubular Services Cluster** | Inspection and evaluation (tubular inspection) | 169,769 | 17,528 | **187,297** | — |
| | Operation management and repair (repair, welding, coating) | 96,945 | 5,194 | **102,139** | — |
| | Tubular leasing | 1,271,970 | — | **1,271,970** | Tubular leasing service is measured by the number of tubular pipe days. |