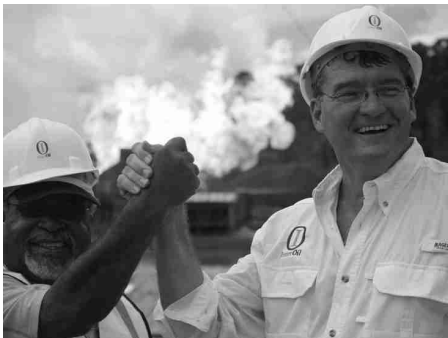


## **Vertically Integrated Oil And Gas Company, InterOil Is Delivering Results In Niche Markets In Asia**



**Basic Materials**  
**Oil & Gas Refining & Marketing**  
**(IOC-AMEX)**



**Phil E. Mulacek**  
**Chairman and CEO**

### **BIO:**

Phil E. Mulacek is the Chairman of our Board of Directors and our Chief Executive Officer. He has held these positions since 1997. Mr. Mulacek is the founder and President of Petroleum Independent Exploration Corporation based in Houston, Texas. Petroleum Independent Exploration Corporation was established in 1981 for the purposes of oil and gas exploration, drilling and production, and operated across the southwest portion of the United States. Petroleum Independent Exploration Corporation led the development of our refinery and the commercial activities that were necessary to secure the refinery's economic viability.

Mr. Mulacek has over 25 years experience in oil and gas exploration and production and holds a Bachelor of Science Degree in Petroleum Engineering from Texas Tech University.

### **Company Profile:**

InterOil Corporation is developing a vertically integrated energy business whose primary focus is Papua New Guinea and the surrounding region. InterOil's assets consist of petroleum licenses covering about 4.6 million acres, an oil refinery, and retail and commercial distribution facilities, all located in Papua New Guinea. In addition, InterOil is a shareholder in a joint venture established to construct an LNG plant on a site adjacent to InterOil's refinery in Port Moresby, Papua New Guinea.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Mulacek, what is the vision at InterOil?

**Mr. Mulacek:** "InterOil is primarily a vertically integrated oil and gas company that operates in the niche markets in Asia. Our vertical integration includes: exploration, processing and distribution of hydrocarbons and we participate in all levels of that value chain directly."

**CEOCFO:** How has the company changed under your leadership as CEO?

**Mr. Mulacek:** "It all has changed. We have gone from two people to just under a thousand. From about \$10 million market cap to about \$1.2 billion. We have seen a lot of changes and a lot of modifications for management too through processes, systems; the complete synopsis of growth. We've had growing pains and we've had to consolidate, so it is a unique process."

**CEOCFO:** InterOil has a tremendous land position; would you tell us about your portfolio?

**Mr. Mulacek:** "We have one of the best upstream positions for the area where we operate, we control 4 million acres. Our first significant discovery is primarily gas, and associated liquids. The Antelope-1 well, which is the largest hydrocarbon column height in the world at over 2,300 feet, may also be the highest flow rate from an onshore vertical wellbore. The well flowed 382 million a day plus 5000 barrels of condensate. The flow all came from the upper 300 feet of a 600 foot dolomite cap at the top of the reservoir. We are trying to determine the amount of condensate deeper in the reservoir over the next three to five weeks. Early gas and condensate volumes are estimated at close to a billion barrels of oil equivalent, which is approximately 6 TCF gas."

**CEOCFO:** How are you adapting under the current economic scenario?

**Mr. Mulacek:** "We take a little bit more conservative approach. We would scale; instead of doing two trains of LNG upfront and more aggressive, we are looking at one, then leveraging into the second. The exploration is still relatively the same. We are there to find a substantial amount of gas, condensate and crude oil. We have been basically crediting about 1,500 BCF almost per well, We don't know of anyone else in the world that is doing that type of volume or any other company in the US. Our single wells are capable of flowing as much as many companies produce after years in the industry. We went to a real frontier basin and our shareholders get rewarded with that leverage, but it took a lot of tough

work in a real hard environment. That is not like working in the lower 48 states.”

**CEO CFO:** What does InterOil do or know that maybe others do not?

**Mr. Mulacek:** “It is our absolute focus and drive to get our projects completed. We brought a West Texas ‘can-do’ attitude, with perseverance and cost competitiveness to an international scene, where previous operators have been complacent. So we are drilling wells at 1/3 to 1/4 of cost of competitors. We apply different technologies and utilize existing facilities, and we are getting close to 20-times the volume. We have about a 40 to 60 fold economic advantage on finding and developing costs that will provide us economic leverage in today’s market that others don’t have. When regional competitors are having to shelve projects, our projects are still very robust and that gives us the lift. Right now you have to work three times as hard to get ahead a little bit further, and if you only work twice as hard you will be going backwards. That is what is going to take for the next year or two.”

**CEO CFO:** What are the challenges aside from the economics?

**Mr. Mulacek:** “Those challenges are generally the most rewarding. We are an engineering company. We are working with some of the most productive reservoirs in the world. There are mechanical challenges and things of that nature. That is what keeps us going. We are pioneering new technology that has never been utilized in the industry, because that is what it takes to delineate such a prolific reservoir. We design it, technically exceeding challenges is what really drives us. Good managers like those challenges. You just have to accept and deal with them.”

**CEO CFO:** What is ahead for InterOil?

**Mr. Mulacek:** “We are adding a lot more gas volumes to our balance sheet and we look forward to completing our LNG project. We are also doing some strategic negotiations and sales process and that will accelerate the whole midstream divi-

sion for LNG and the sale of that gas to Asia. So that gas will establish a template for our future exploration, but we are still just getting started and look forward to finding more and more hydrocarbons. We would like to get a little bit lucky and find oil in the systems besides rich gas. That is our driver for the next three to seven years.”

**CEO CFO:** What is the financial picture like for you today?

**Mr. Mulacek:** “We were fortunate; we retooled all of our short-term debt from about a \$130 million down to about \$9 million. That was a very unusual transformation of strength. Our financial leverage is in-line with our peers, but we are

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**- Phil E. Mulacek**

fairly consistent and looking at bringing in partners which should fund an acceleration of upstream capital spending. This will bring us up another level from where we are today.”

**CEO CFO:** Why should the investment community pay attention to InterOil?

**Mr. Mulacek:** “People are looking today and seeing the foundation of fifteen years, as well as our personnel and strength of our assets. What they are now seeing is the execution and the vast amount of resources; our “best case” resource estimate of 350 million barrels of oil equivalent is the big point just this quarter. Very few companies can do 300 million barrels in any fifty-year period. We are adding more net asset support strength for shareholders than anybody out there now, and we expect to continue on a percentage basis going forward. That effectively is how we

are judged and I think we are doing a phenomenal job. It helps to have wells that are the world’s record, but at least you know that the play and the acreage that we have is some of the best in the world-class systems out there in the world.”

**CEO CFO:** What is your two-minute take on the energy situation?

**Mr. Mulacek:** “A return to increasing demand is inevitable. I think there is going to be some additional economic stimulus and efficiencies over the next six to eighteen months. However, the liquid price and the fall off of liquid hydrocarbons production should result from the lack of investments. The natural decline

curve will really catch up with the industry. We expect oil to come back to an average of \$120 to \$150 over the next three to five years, and stay there. Natural gas has different drivers. Gas pricing will be low and low gas prices will help the world economy. A lot of major projects will be shelved and that will become more critical in four to five years. I don’t have a crystal ball, I just have my experience over the years. What is happening is a knee-jerk overreaction by the industry. Many new planned capital investments are being

shelved due to low current economic returns. Reduced spending will delay LNG projects required to meet forecasts of longer-term rising demand. It is not a peak-oil strategy; it is just pure economics and understanding utilization and the low oil prices. You see a lot more people driving around in Hummers; they may be driving a little less, but it is starting to pick-up a bit here and there. I spent a lot of time in Asia where they have a lot of growth, but we are buying crude from fields and seeing very severe drop-offs in the liquid barrels. Those two curves will catch up fast.”

**CEO CFO:** What should people reading about InterOil remember most?

**Mr. Mulacek:** “We are a niche player spending a lot of time in a world-class system, and we are executing and delivering on that promise.”