

# Aurelian Oil & Gas PLC

("Aurelian" or "the Company")

## Operational Update

Aurelian, the European focused E&P Company, is pleased to provide the following operational update.

### Highlights

- **June 2010 spud for first Siekierki horizontal well (Trzek-2). Processing Facility on track**
  - wellsite almost complete. Other major drilling service contracts awarded. Fracture stimulation service currently being tendered
  - Processing Facility long lead items to be ordered in June 2010.
  - Environmental Impact Assessment and technical input for Planning Approval to be submitted June 2010 for September 2010 approval.
  - Construction Permit issued by year end allowing construction to start early 2011
- **Updated reservoir modelling of first Siekierki well supports CPR estimates**
  - updated reservoir modelling of Trzek-2 indicates potential recovery per well at upper end of 16.5 to 28.6 bcf range estimated by Gaffney Cline & Associates ("GCA") in CPR where Aurelian was allocated a mid case contingent gas resource of 346 bcf.
- **Q4 2010 spud date for first high impact Carpathian Thrust Fold Belt well at Bieszczady**
  - 2009 2D seismic programme identifies additional prospects to those identified in the CPR where Aurelian was allocated a mid case prospective oil resource of 89 mmbbls.
- **Three seismic surveys planned across Polish Core Areas in H2 2010**
  - Southern Permian Basin - 80km 2D in Kalisz. Up to 300km<sup>2</sup> 3D in Cybinka/ Torzym,
  - Carpathian Thrust Fold Belt - 150 km of 2D in East Karpaty to confirm drillable prospect where the CPR allocated Aurelian a mid case prospective oil resource of 236 mmbbls - post Strategic Partnership with PGNiG.
- **Appraisal of Voitinel/Solca trend in Romania**
  - results of fracture of 1650 sand available week commencing 17<sup>th</sup> May with results of flow test from 1400 sand expected in June
  - 60km of 2D and testing of two Romgaz wells in adjacent block to assist assessment of 400bcf GIIP estimate. Romgaz joint development discussions may result.
- **Climauti-1 well in Suceava and 200 km of 2D across Bacau and Cujejdiu**
  - Climauti-1 spuds later in May 2010, targeting 2bcf of recoverable gas and increasing Aurelian's forecast production by 18%
  - 2D survey targeting leads of 67 bcf and 92 bcf respectively in Bacau and Cujejdiu
- **Two well drilling programme in Q3 and Q4 2010 in B1- Golitza, Bulgaria**
  - targeting 20-30 bcf - prospects at 1,500 metres in Q3 and 600 metres in Q4
- **Slovakia Seismic survey planned for H2 2010**
  - 150 km of new 2D seismic to be acquired to define a specific prospect for drilling in H2 2011.
  - Recent seismic processing and interpretation identifies a number of leads in addition to the Smilno exploration prospect where Aurelian was allocated a mid case prospective gas resource of 408 bcf in the CPR.

- **New Chairman**

- John Conlin, a petroleum engineer with over 34 years' experience in the oil and gas industry, including 28 years at Shell, becomes Chairman at today's AGM.

**Rowen Bainbridge, Chief Executive commented:**

*"In October 2009 we set out a new strategy and a series of milestones against which we could be measured. In February 2010 we published our first Operational Update to enable measurement of our progress against these milestones.*

*This, our second Operational Update, reconfirms steady progress against all the targets. We are on track to spud our first two high impact wells in line with our milestones; in June we commence the drilling of the first multi fraced horizontal well in our Tight Gas Project in Siekierki and in October we drill our first Bieszczady exploration well in the Carpathian Thrust Fold belt.*

*We have an extensive and very exciting work programme ahead of us over the next two years, and we have the funding and the team in place to carry it out. I look forward to providing further updates as we continue to make progress delivering on this programme and achieving against the milestones that we have set ourselves."*

**12<sup>th</sup> May 2010**

**Enquiries:**

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## **Poland**

### **June 2010 spud date advised for first Siekierki horizontal well (Trzek-2)**

Construction of the Wellsite for Trzek-2, the first horizontal well on our flagship Siekierki project, is close to completion. The wellsite is 2km to the southeast of Aurelian's Trzek-1 well which was drilled, fraced and tested gas at 7.5MMscfd in 2007. In Trzek-2, a vertical pilot will be drilled through the reservoir to obtain core and log data and a horizontal well sidetracked up to 1500m back towards Trzek-1. We have been advised by Nafta Piła that its IDM 2000 rig, which will be used for Trzek-2, will be released by the current operator at the end of May 2010 allowing a Siekierki spud in late June 2010 as planned.

It is planned to drill Trzek-3 as a similar horizontal multi fraced well after the completion of Trzek-2. Trzek-3 will be drilled 2km to the southwest of Trzek-2. The major drilling service contracts required to support the Trzek-2 and Trzek-3 programme have been awarded. In addition, a number of proposals are under evaluation for the provision of fracture stimulation services contractor. As this element of the project is recognised to be of primary importance it is likely that it will take four to eight weeks to evaluate and award this contract.

### **Siekierki Pilot Plant Processing Facilities remain on track for first gas in 2011**

Work on the development of the pilot plant and flow lines continues smoothly. It is expected that orders for the nitrogen rejection unit and compressor, which have the longest lead time, will be placed early in June. The Environmental Impact Assessment and technical input to support Planning Approval will be submitted in June and are expected to lead to approvals in September. This should then allow a Construction Permit to be issued by year end to allow construction to start early in 2011.

### **Updated reservoir modelling of first Siekierki well supports CPR recovery estimates**

Recently completed reservoir modelling of the Trzek-2 area indicates potential recovery at the upper end of the 16.5 to 28.6 bcf range estimated by Gaffney Cline & Associates ("GCA") in its December 2009 CPR where Aurelian was allocated a mid case contingent gas resource of 346 bcf.

The Siekierki project is located in the Poznan licences, which are 100%, held by Energia Zachód, a company owned 90% by Aurelian and 10% by Avobone N.V. Energia Zachód is operator of the Siekierki project.

### **Q4 2010 spud date for first high impact Carpathian Thrust Fold Belt well at Bieszczady**

Interpretation of the 281km 2D seismic programme undertaken in 2009 is now complete. A series of prospects have been identified in addition to those identified by GCA in its December 2009 CPR where Aurelian was allocated a mid case prospective oil resource of 89 mmbbls. A prospect will now be selected by the Group for drilling in Q4 2010 and an announcement made in July providing more details of the selected prospect.

Interests in Bieszczady are Polskie Gornictwo Naftowe i Gazownictwo (51%) (Operator), Energia Bieszczady Sp. z o.o. (25%) (a 100% subsidiary of Aurelian Oil and Gas Poland Sp. z o.o.) and Eurogas Polska Sp. z o.o. (24%).

### **Three seismic surveys planned across Polish Core Areas in H2 2010**

Aurelian is currently evaluating tenders for a comprehensive seismic programme in the second half of 2010 to be undertaken on the three following licences in its Southern Permian Basin and Carpathian Thrust Fold Belt Core Areas.

**Kalisz- 80km of 2D.** The Kalisz licence is located on a Rotliegendes trend which lies south west of Aurelian's Siekierki structure and contains a number of producing fields with much higher well productivity than Siekierki. Aurelian has reprocessed existing 2D seismic data and acquired a further 250km of 2D seismic in 2008. The current 80 km 2D survey is designed to detail a lead, Stawizyn, identified by the 2008 survey. In the GCA CPR of December 2009, 24bcf of prospective resources was allocated to Stawizyn.

Interests in Kalisz are Aurelian Oil and Gas Poland Sp. z o.o. (50%) (Operator), GB Petroleum PLC (40%) and Avobone Poland B.V. (10%).

**Cybinka/Torzym - Up to 300km<sup>2</sup> of 3D.** These two adjacent licences are located on the southern flank of the Polish Zechstein Basin in an area of carbonate (dolomite) reef development. Existing discoveries and reprocessed 2D seismic data has indicated the presence of reef build ups in this area. Aurelian will now obtain up to 300km<sup>2</sup> of 3D seismic in Q3 2010. Both blocks may contain analogues to the largest oilfield in the Central Lowlands of Poland, the Lubiatow complex, currently being developed with reserves quoted at 60 million barrels of oil and 271 bcf of gas. Lubiatow's oil and gas reservoirs are being explored using seismic attribute work obtained from 3D surveys. Drilling at Cybinka and Torzym is expected late 2011/early 2012 and will be targeting oil and gas prospects of between 20-40 mmboc.

Interests are as follows;

Cybinka – Aurelian Oil and Gas Poland Sp. z o.o. (35%) (Operator), GB Petroleum PLC (25%), Avobone Poland B.V. (10%) and S.N.G.N Romgaz S.A. (30%).

Torzym - Aurelian Oil and Gas Poland Sp. z o.o. (35%) (Operator), GB Petroleum Limited (25%), Avobone Poland B.V. (10%) and S.N.G.N Romgaz S.A. (30%).

**Karpaty East – 150km of 2D** This licence area is located in the Polish part of the North Carpathian Thrust Belt. Oil and gas fields have been discovered in sandstone reservoirs of mainly Eocene and Oligocene age. The area of the survey lies to the south west of an oil discovery by RWE. A structure Mszana Dolna, containing two prospects in overlapping thrust sheets has been defined using reprocessed seismic. Both prospects could be targeted by one well and in the CPR Aurelian has been allocated a mid case prospective oil resource of 236 mmbbls - post Strategic Partnership with PGNiG. This 150km 2D survey is designed to firm up a drilling location for H2 2011.

Interests in Karpaty East are Aurelian Oil and Gas Poland Sp. z o.o. (80%) (Operator), Polskie Gornictwo Naftowe i Gazownictwo (20%).

### **Romania**

#### **Appraisal of Voitinel/Solca trend, Brodina Block**

Aurelian considers that the wider Voitinel structural trend could have gas-in-place volumes as great as 400bcf. Appraisal to more accurately define the potential Gas in Place and recoverable gas is underway.

The planned additional testing of the Voitinel discovery has now commenced. A fracture stimulation of the current completion on the 1650 sand has been carried out by Schlumberger and a flow test is now underway. Following this, a rig entry will be carried out to suspend the 1650 sand and recomplete to the 1400 sand which will then be flow tested.

The results of the fracture stimulation and flow test on the 1650 sand are expected in the week commencing Monday 17<sup>th</sup> May. The result of the flow test on the 1400 sand is expected to be reported in June 2010.

The reprocessing of the current seismic data to incorporate the data obtained in Voitinel-1 and remap the Voitinel-Solca trend is expected to be completed by the end of June 2010. Romgaz, the operator in the Moldova Nord concession to the south and a participant in Brodina has recently drilled and tested two wells Paltinu-102 and Paltinu-103 at the southern extremity of the Voitinel - Solca trend and has informed us that it is analysing the available data and after this may look at a joint development project.

A contract has been signed with Romanian seismic contractor Prospectiuni S.A. for a 60 km programme of 2D seismic principally to detail the Solca prospect and its relation to Voitinel and Paltinu. The programme is expected to be acquired in August 2010 with results in mid October 2010. A combination of this 60km of 2D seismic coverage and the additional Voitinel and Paltinu well data should allow for further definition of the potential of this promising trend.

Interests in the Brodina block are Aurelian Oil & Gas (Romania) SRL 33.75%, S.N.G.N. Romgaz S.A. 37.50% and Europa Oil & Gas SRL 28.75%.

### **Climauti-1 Well, Suceava Block**

Rig mobilisation to Climauti-1, a commitment well in the Suceava Block, has commenced. It is expected to spud later in May 2010 and drill to a target depth of 600m to evaluate two Sarmatian sands identified on seismic. The well is targeting approximately 2 bcf of recoverable gas reserves and if successful will be tied back to Aurelian's Bilca Gas Processing Facilities. The gas from the Climauti-1 well will increase Aurelian's forecast production by approximately 18% over the expected seven year life of the well.

Interests in the Suceava Block are Aurelian Oil & Gas (Romania) SRL 50%, Regal Petroleum PLC 50%.

### **Bacau and Cujeidiu Seismic programme**

Aurelian, together with its partners, has signed a contract with Romanian seismic contractor Prospectiuni S.A. for a comprehensive seismic acquisition programme covering the Brodina, Bacau and Cujeidiu blocks. As well as the Brodina work discussed above the following programmes are also being carried out during 2010.

#### ***Bacau***

Work will commence in mid May 2010, completing early June, on a 70km 2D seismic survey (44km on Bacau North and 26km on Bacau/Lilieci) on three prospective areas within the northern and central areas of the Block. Two areas are prospective for Sarmatian biogenic gas prospects in the north eastern area and one for thermogenic gas/condensate in the overthrust area of the East Carpathians. This survey will be interpreted by mid August 2010 and it is hoped that it will further define prospects for drilling in the future. To date a number of leads with a total potential for 67 bcf of gas-in-place have been identified.

## ***Cuejdiu***

Work will commence in mid June 2010, completing early July, on a 130km 2D seismic survey on this Block which includes opportunities for further Sarmatian biogenic gas on the Moldavian Platform and oil and gas in the poorly explored East Carpathian thrust belt. To date a number of gas leads amounting to approximately 92 bcf have been identified on the licence.

Interests in the Bacau North block are Aurelian Oil & Gas (Romania) SRL 41.0%, S.N.G.N. Romgaz S.A. 40.0% and Europa Oil & Gas SRL 19.0%.

Interests in the Bacau Lileci block are Aurelian Oil & Gas (Romania) SRL 60.0%, S.N.G.N. Romgaz S.A. 40.0%.

Interests in the Cuejdiu block are Aurelian Oil & Gas (Romania) SRL 45.0%, S.N.G.N. Romgaz S.A. 37.50% and Europa Oil & Gas srl 17.5%.

## **Bulgaria**

### **Q3 and Q 4 2010 spud dates agreed for B1- Golitza two well drilling programme in Bulgaria**

Aurelian is pleased to announce that JKC (Bulgaria) Limited ("JKC") the operator of the B1-Golitza licence has advised that a spud date of mid Q3 2010 is planned for the first of two wells in a drilling programme with the second well planned for mid Q4 2010.

After farming in, Sorgenia is earning a 30% interest in the licence and is now paying 40% of the costs of the first two wells up to a cap of \$4.5 million (gross) as part of the agreed farm-in terms. The 10% drilling 'promote' will be split 6.67% for the benefit of Aurelian's wholly owned Bulgarian subsidiary, Balkan Explorers (Bulgaria) Limited, and 3.33% for the benefit of JKC.

The first well in the programme ('SOS'), will test a potential 20-30 bcf prospect at 1,500 metres, updip of the depleted Stary Oryahovo gas field, discovered in the 1960s with results expected by the beginning of October 2010. The second well ('S54') will also be testing a potential 20-30 bcf prospect at a depth of 600m with results expected by the end of Q4 2010.

The percentages in the block are JKC (Bulgaria) Limited 40%, Balkan Explorers (Bulgaria) Limited (a 100% subsidiary of Aurelian Oil and Gas PLC) 30% and Sorgenia International B.V. 30%.

## **Slovakia**

261km of 2D seismic on Aurelian's three licence areas was acquired during 2008 and 2009 and is currently being processed and interpreted. This process continues to highlight additional prospective leads in addition to the Smilno exploration prospect where Aurelian was allocated a mid case prospective gas resource of 408 bcf in the CPR. A further 150 km of 2D seismic will now be acquired in Q3 2010 with the objective of defining a prospect for drilling in H2 2011.

Interests are Aurelian Oil and Gas Slovakia S.R.O. (50%) (Operator), JKC Oil and Gas PLC (25%) and S.N.G.N Romgaz S.A. (25%).

## **New Chairman**

The Company is delighted to announce that John Conlin will become Chairman at the Company's Annual General Meeting later today, when David Prior will step down from the role while remaining as a Non-Executive Director. John, is a petroleum engineer and has over 34 years' experience in the oil and gas industry; spending 28 years at Shell in various senior management and operational positions. During that time he also gained significant experience outside Shell through secondments to Maersk, Woodside, Sakhalin Energy and Exxon Mobil. Earlier in his career, as Head of Petroleum Engineering for the Central North Sea with Shell, John gained extensive exposure to the Rotliegendes plays which form a core part of Aurelian's business.

*The technical information and opinions contained in this announcement have been reviewed by Roy Hartley B.Sc (Hons) (Imperial College), FEI, FGS, C. Eng, Aurelian's Operations Director who has 40 years of experience in the oil exploration and production industry. He has consented to the inclusion herein of such technical information and opinions.*

## **GLOSSARY**

|         |  |
|---------|--|
| bcf     | billon cubic feet of gas                   |
| HP      | horse power                                |
| m       | meters                                     |
| mscf    | thousand standard cubic feet of gas        |
| MMscf   | million standard cubic feet                |
| MMscf/d | million standard cubic feet of gas per day |