

21<sup>st</sup> April 2011

# 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

- **Previously announced mechanical issues at Trzek-2, Siekierki Multi Fraced Horizontal Well (“MFHW”), restricts production to 3mmscf/d in 15 day stabilised flow rate test**
  - Result as expected after mechanical issues restrict flow in six of the ten well bore sleeves.
  - Trzek-2 to be sidetracked and fraced in Q4 2011 at a cost of €6 million to achieve target stabilised flow rate of 8 mmscf/d and accelerate recovery of 16-28 bcf.
  - A change in the completion methodology, to cemented liner and frac for the Trzek-2 sidetrack, removes the risk of similar mechanical issues recurring.
  - Sidetrack already funded and potential of project unchanged at 346 bcf (net to Aurelian) recoverable.
- **Second MFHW, Trzek-3, encounters 140 metre gas column in Rotliegendes reservoir**
  - Top reservoir encountered. Logs confirming good gas readings.
  - Core taken from estimated 140 metre gas column representing a 40% increase compared with Trzek-2.
- **Gas Processing Facility progressing well, first gas targeted H2 2012**
  - Contract to allow tie-in to national gas transmission system signed.
  - Environmental and Planning approvals received.
  - Construction approval expected H2 2011 with first gas targeted H2 2012.
- **Krzesinki conventional exploration well to spud in Greater Siekierki Area Q3 2011**
  - Constructing site for well targeting 45-465 bcf (gross) prospective resources.
  - Vertical well costing up to €10 million (gross) spudding Q3 2011.
- **First Bieszczady well produces gas and condensate from potentially commercial zone above primary targets**
  - Short term drill stem test of 42 metre zone, flows indicates potentially commercial rates of condensate and gas. Flow from third test confirms zone’s prospectivity.
  - Current depth circa 3,850 metres. Primary targets between 4,000 and 4,800 metres.
  - Processing and interpretation of second 300 km 2D seismic survey underway to support second well early 2012.
- **Significant growth initiatives launched in both Carpathian and Tight Gas Core Areas**
  - Award of 100% of Poreba concession, resulting in the launch of a new 2,562 km<sup>2</sup> operated, low cost Carpathian conventional gas business targeting 500-750 bcf (gross) of gas.
  - Programme commences with work over well in H2 2011 targeting resources of up to 20 bcf (gross). Up to 2mmscf/d initial production and cash flow targeted H2 2012.

- 2012 exploration well targeting prospect with resources of between 40-60 bcf .
- Tight Gas joint commercialisation MOU signed with PGNiG targeting new tight gas blocks providing further growth opportunities outside of Siekierki.
- MOU signed with PGNiG and FX Energy to work together sharing data to enhance understanding of Rotliegendes tight gas blocks in Central Poland.

**Rowen Bainbridge**, Chief Executive commented:

***"We are making progress to understand the Siekierki reservoir and to develop production and cash-flow by the second half of 2012. Our Trzek-2 well has shown that horizontal wells can produce from tight sands such as Siekierki, and we now need to optimise the completion, frac design and execution to crystallise the potential of this project. In the Greater Siekierki area we are looking forward to the spudding of our Krzesinki, vertical well in H2 2011.***

***The first well in the Bieszczady concession in our Carpathian drilling programme continues to look encouraging and we look forward to providing further updates on this in the coming months.***

***We are also pleased to have been awarded a 100% interest and operatorship in the Poreba concession, which together with our existing West Karpaty operated concession, enables us to launch our Carpathian conventional gas business targeting first gas and cash flow in H2 2012. The MOU's/alliances that we have signed with PGNiG and FX Energy are also an important step in helping us further grow our tight gas business outside of Siekierki".***

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### **First Siekierki Multi Fraced Horizontal Well ("MFHW") Trzek-2 produces 3mmscf/d in 15 day stabilised flow rate test**

The 15-day flow test of the first Siekierki MFHW, Trzek-2, has been completed with a stabilised production rate at the end of the flow test recorded at 3mmscf/d. As previously reported, down hole mechanical difficulties were encountered during the hydraulic fracturing operations resulting in gas not flowing into six of the ten well bore sleeves.

After evaluating the production test and the full suite of available data (chemical tracers, production logs, frac variables and production data) the Company has concluded that the optimum way to achieve a stabilised flow rate target of 8 mmscf/d and accelerate recovery of 16-28 bcf is to sidetrack horizontally from the existing Trzek-2 vertical wellbore. The sidetrack will use a different methodology, a cemented liner, to complete the horizontal section and to carry out up to six fracs, thus removing the risk of experiencing similar mechanical issues to those experienced in the original Trzek-2 well. The full sidetrack process including flow testing will cost approximately €6 million for which the Company is fully funded. It is expected that the sidetrack will be completed in Q4 2011.

### **Second Siekierki MFHW, Trzek-3, encounters 140 metre gas column**

The second Siekierki MFHW, Trzek-3, has completed the drilling of its planned deviated pilot hole. The 140 metre gas column encountered is approximately 40% larger than the gas column experienced in the Trzek-2 pilot hole. 90 metres of core have been taken and logging of the pilot hole has been completed. Both the core and log data will be used to determine the landing depth of the horizontal wellbore and to refine structural and geological modelling.

The completion of the Trzek-3 horizontal wellbore to be made ready for multiple hydraulic fracturing will use a cemented liner completion, which is a different methodology from that used in the original Trzek-2 horizontal well. This change in completion methodology will help to avoid similar mechanical issues recurring in Trzek-3. Results of the post-frac well test are expected in early July. Considerable improvements in drilling time have been achieved compared with Trzek-2, and Trzek-3 is currently expected to complete under budget.

Trzek-3 is targeting a separate high in the Siekierki structure with a recoverable resource estimated at between 16 and 28bcf.

### **Gas Processing Facility progressing well, first gas targeted H2 2012**

The tie-in contract to allow the export of Siekierki gas to the national transmission grid has been signed with the Operator, Gazociągów Przesyłowych Gaz -System S.A.

All Planning and Environmental approvals have been received and the application for construction approval has been submitted. This is expected to be received in June 2011 and will maintain the target of first gas in H2 2012.

### **Krzesinki conventional exploration well to spud in Greater Siekierki Area Q3 2011**

Construction has started on the access road and well site for the Krzesinki-1 exploration well. This exploration well will test a prospect in the Greater Siekierki Area in the west of Block 207 which is up dip of the proven gas in the Siekierki structure. Given the potential existence of a large structure at the deepest of three target horizons identified in this well, the Krzesinki prospect could hold up to 465 bcf (gross). However, from the seismic currently available it is not possible to identify if the structure at this deepest horizon closes. If the structure does not close and there are no trapped hydrocarbons

then the prospect potential is reduced to a mid case volume estimated at 45 bcf (gross). Dry hole cost is estimated at between €8.5million and €10.0 million (gross).

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

### **First Bieszczady well targeting prospective resources of up to 100 million barrels of oil (gross) tests a potentially commercial 42 metre gas and condensate zone above primary targets**

The Bieszczady partner group is pleased to announce that the Niebieszczany-1 well, which spudded on 14th October 2010, and is the first well of a three well programme in its Bieszczady block in the Carpathian Thrust Fold Belt, is currently drilling at circa 3,850 metres.

The well has encountered over-pressured hydrocarbons throughout the Krosno beds and two drill stem tests have flowed oil and gas at shallower depths. A third test has now been taken over the 42 metre interval 3656 metres to 3698 metres in the same Krosno beds. The test was restricted to the volume of the drill pipe and was designed to collect samples, measure reservoir pressure and determine if the zone has commercial potential.

Samples of condensate and gas were collected in this third test although the limitations of the test do not make it possible to estimate an accurate condensate to gas ratio. The estimated production potential measured in the test, together with the reservoir pressure, measured at 9655 psi at 3651 metres indicates that the zone could potentially be commercial. The test was however too short to give any indication of the volume of gas in place. The zone is expected to be put on longer term flow test when the well is completed. The Krosno beds have been developed commercially in the Carpathians in the past.

Selection of the contractors to process and interpret the recently acquired second 300 km of 2D seismic survey is underway. It is likely that a second well will now be drilled in early 2012 after interpretation of this seismic and integration of the current well data.

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%).

### **New licence award adjacent to existing acreage will launch a new conventional gas business in the Polish Western Carpathians**

Aurelian is pleased to announce that it is launching a new Carpathian conventional gas business targeting first gas in H2 2012.

As a result of the recent award of a 100% interest and operatorship in the Poreba concession, which can be added to Aurelian's adjacent West Karpaty concession (60% interest and operator) creating a business covering 2,562 km<sup>2</sup>, the Company now has the necessary scale and funding to commence this new venture.

The business will target relatively shallow (1,000-3,000 metres) gas prospects of between 20 -150 bcf with well costs estimated at between €3 million - €5 million (gross). Furthermore the business is located close to existing infrastructure and will have a low cost, "quick to market" business model.

One work over well and one exploration well, both of which are funded, are planned over the next two years. First, the work over well will attempt to put on production an existing discovery, Lachowice in Aurelian West Karpaty concession, which has previously flowed up to 6mmscf/d. If successful a further two/ three wells will be required to develop the 13 to 20 bcf potential reserve.

First gas sales of 1.5-2.0 mmscf/d are expected in H2 2012. Estimated costs to first production, including tie in to infrastructure, are €4 million (Aurelian share €2.4 million).

The second well, also in West Karpaty, is an exploration well planned for 2012 which is targeting a prospect with mid to high case gross volumes of 40-60 bcf of recoverable resources. Aurelian's internal estimates for the gross total potential recovery from the two licences in the business range between 500 –750 bcf.

Interests in Karpaty West are Energia Karpaty Zachodnie Sp. z o.o. sp. k. (a 100% subsidiary of Aurelian Oil and Gas Poland Sp. z o.o.) (60%) (Operator), Polskie Gornictwo Naftowe i Gazownictwo (40%).

Interests in Poreba are Energia Karpaty Zachodnie Sp. z o.o. sp. k. (a 100% subsidiary of Aurelian Oil and Gas Poland Sp. z o.o.) (100%) (Operator).

### **Memorandum of Understanding ("MOU") signed with PGNiG for potential joint commercialisation of tight gas resources in Central Poland**

Aurelian's 90% subsidiary Energia Zachód Sp Zo.o ("EZ") has signed a MOU with PGNiG to look at the potential for commercialising tight gas resources in Central Poland.

As a first step, the parties will evaluate the possibility of jointly exploring, appraising and developing a potential on-trend structure to the north west of the Siekierki tight gas reservoir. This is in the adjacent block to Siekierki, Block 206 (EZ 100% interest), and extends into the Rokietnica East field in the Pniewy-Steszew concession (PGNiG 100% interest) ("the Initial Project").

Assuming this evaluation is successfully completed, the parties will look to negotiate equity interests, agree a work plan for the Initial Project and then conclude a formal Joint Operating Agreement.

### **MOU signed with PGNiG and FX Energy Sp. z o.o. to assess potential for enhancing technical understanding of Rotliegendes tight gas in Central Poland**

EZ has also signed an MOU with PGNiG and FX Energy Sp. z o.o. ("FX") to look at the potential for enhancing the joint technical understanding of Rotliegendes tight gas in Central Poland.

The parties will initially look to focus upon an Area of Mutual Interest ("AMI") covering the Siekierki tight gas reservoir in Block 207 (EZ 100% interest) and its possible southern extension into the Plawce field in the adjacent Kornik-Sroda Block (PGNiG 51% FX 49%).

Amongst other things, these potential technical studies could result in the parties benefiting from;

- the combination, merging and reprocessing of their respective 3D seismic data across the Siekierki and Plawce areas;
- a shared understanding of regional velocity modelling and depth conversion;
- an exchange of information from the parties' tight gas wells currently being drilled; and
- mutual studies to develop an understanding of geological processes across the area, their influence on reservoir properties and the resulting control on gas production.

Both agreements cover the Poznan licences which are 100% held by Energia Zachód Sp Zo.o, a company owned 90% by Aurelian and 10% by Avobone N.V.

*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
mmscf/d	million cubic feet per day