

**30<sup>th</sup> December 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:

- **Flow test on Krzesinki-1 gas discovery on Block 207 (Poznan East) commenced**
  - Flow testing on the Krzesinki-1 exploration well began on 27 December 2011, results expected in the first half of January 2012;
  - Results to be incorporated into the Independent Review of Siekierki currently underway; and
  - Commercialisation options being evaluated with tie in points being between 5-17km from the gas discovery.
  
- **Niebieszczany-1 discovery**
  - Well testing in progress by the Operator PGNiG;
  - Flow rates from two separate zones 0.6 and 1 MMscf/d plus significant liquids; and
  - Appraisal well proposed by PGNiG for 2012 after the final test results.
  
- **Siekierki licence renewed for three years**
  - Block 207 Poznan East has been renewed up until February 12, 2015, enabling Aurelian to continue the appraisal of the Siekierki gas field and the Krzesinki gas discovery; and
  - Block 208 renewal application has been submitted and it is expected that this will be approved shortly. This Block is prospective for Rotliegendes and Zechstein opportunities and is adjacent to the PGNiG-operated "Fences" concessions where a number of gas discoveries have been made.
  
- **Update on Independent Review of the Siekierki Project**
  - Good progress being made on the review of the Siekierki Project;
  - The TRACS AGR team have presented their initial conclusions in line with the 19<sup>th</sup> December target date and are now working on valuation, commercialisation and forward appraisal plans;
  - Considerable insight has been gained in the last three months in understanding both the Siekierki reservoir and the Multi Fracced Horizontal Well ("MFHW") completions to explain the lower-than-forecast initial flow rates announced in September; and
  
  - Final results will be announced at the end of January 2012 following incorporation of well test data of Krzesinki-1 into the analysis. The January update will include a full diagnostic assessment of the MFHW (T-2 & T-3), the implications for GIIP and ultimate recovery from the field. An update on commercialisation options for the gas discovered to date, as well as an updated appraisal plan and pathway to a new field development plan.
  
- **A further 185 km of 2D seismic acquired across two surveys on operated licences in the Carpathian Thrust Fold Belt**

- 95 km of 2D seismic acquired in Karpaty East in Poland to identify further potential drilling targets. A well is planned in 2012;
  - 90 km of 2D seismic acquired in the oil-prone Cujeziu licence in Romania seeking to mature for drilling at least one existing lead;
  - This brings the 2011 Seismic program to a total of 972 km of 2D seismic and 120 km<sup>2</sup> of 3D seismic successfully acquired on seven surveys across our Core Areas; and
  - The acquisition of a further 268 km of 2D seismic is underway on our non-operated Bieszczady licence to take total block coverage to approximately 60%.
- **Prospect Inventory update now complete and new CPR underway**
    - Updated prospect inventory now complete incorporating 1500 km of new 2D and 340 km<sup>2</sup> of new 3D seismic acquired during 2010 and 2011;
    - Independent consultants, RPS Energy ("RPS") have been engaged to produce a new Competent Persons Report ("CPR") and have begun review of the updated prospect inventory; and
    - New CPR expected to be complete end February 2012.
  - **The Company will provide an updated Corporate Strategy in light of the revised Siekierki appraisal plan and new exploration prospect inventory at the end of January 2012.**

**Rowen Bainbridge, CEO of Aurelian commented:**

*"The past few months have been a busy time for the Company with recent discoveries on Krzesinki-1 and Niebieszczany-1 and 3 year extension to Block 207 taking the Company forward and bringing a positive end to the year. The success on Niebieszczany-1 and the potential of the Krosno resource play was a good outcome following the earlier problems with the drilling of the well. PGNiG are now looking to complete this as a producing field providing further upside on the Bieszczady blocks.*

*We have also made good progress on the root and branch review of our Siekierki project with TRACS AGR providing considerable insight into the field and the initial well results. Understanding and finding a solution to Siekierki is critical in terms of value creation and capital allocation. We plan to provide a full update on Siekierki by the end of January, a month later than originally planned but importantly this will incorporate the key well test information from Krzesinki-1 and commercialisation options for the gas discovered to date. At this time we will also provide an update on the Company's strategy in the light of the Siekierki findings and the updated exploration prospect inventory.*

*Outside of Siekierki, Aurelian has a funded, material exploration plan of up to 10 wells that runs well into 2013. The significant investment over the past two years and updated exploration prospect inventory will provide further significant growth opportunities for the company."*

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### **Flow test on Krzesinki-1 gas discovery on Block 207 (Poznan East) commenced**

Following the recent announcement that Aurelian discovered gas in the Rotliegendes at the Krzesinki-1 exploration well in Block 207 (Poznan East), Poland, the Company is pleased to announce that a flow test began on December 27, 2011 with results expected in the first half of January 2012. A preliminary estimate of 10-20 bcf GIIP was made at the time of the discovery in October 2011.

Krzesinki-1 is positioned 8 km west of the Trzek-3 MFHW drilled on the Siekierki gas field. All of the Krzesinki well and test data will be added to Aurelian's existing database on the Siekierki gas field and will be incorporated as part of the Siekierki Project Review to assist in the development of an updated appraisal plan for the field's future development.

A number of commercialisation options are being evaluated with tie in points being between 5-17 km from the discovery.

The Krzesinki-1 well is located on the Poznan East licence which is 100% held by Energia Zachód Sp. z o.o., a company owned 90% by Aurelian and 10% by Avobone N.V.

### **Niebieszczany-1 discovery**

Flow tests commenced by PGNiG (the Operator) on two intervals encountered in the Krosno section of the Niebieszczany-1 well. The lower zone, 3,825-3,857 metres, was tested at a rate of 0.6MMscf/day and 125bpd condensate at wellhead pressure of 4100psi after fracture stimulation. Plugging with paraffin and hydrates has precluded higher rates with the equipment available during testing. A test of the higher interval, 3,677-3,683 metres, is currently underway with initial rates of 1 MMscf/day at 2500 psi reported by the Operator. Flow rates are currently constrained by the well completion equipment. The well is currently shut in to measure the build-up in down-hole pressure.

PGNiG considers the discoveries to be commercial and has proposed an appraisal well for 2012 subject to the final test results and the interpretation of two additional seismic profiles, planned in the area of Paszowa, at the beginning of 2012. Scoping engineering and costing for tie-in to a nearby pipeline has been completed. A sales scheme and recompleted wells would allow somewhat higher rates to be maintained.

Over 3,000 metres of Krosno and Transition section were encountered in the Niebieszczany-1 well with frequent oil and gas shows. The two well tests described are believed to be representative of this greater interval, establishing a potentially significant resource play additional to the conventional prospects on the Block.

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%).

### **Siekierki licence renewed for three years**

The Poznan East licence Block 207 has been extended to February 2015 in order to perform long-term test production. Block 207 holds the Siekierki gas field and the Krzesinki-1 exploration well that is currently being tested.

On the adjacent Poznan East Licence on Block 208 a renewal application has been submitted and it is expected that this will be approved shortly. This Block is prospective for Rotliegendes and Zechstein opportunities and is adjacent to the PGNiG-operated "Fences" concessions where a number of gas discoveries have been made. Earlier in 2011, the Company acquired 200km of 2D seismic on Block 208 which is currently being processed.

The extension to the Block 207 licence and the application for an extension to the Block 208 licence is an important step forward on these highly prospective Blocks that allows the Company to continue the appraisal of the Siekierki field, further appraise the Krzesinki discovery and continue with the interpretation of the 2D seismic on Block 208.

### **Update on detailed Independent Review of Siekierki Project**

Aurelian previously announced that it had commissioned a specialist tight gas team from industry consultancy TRACS AGR to work alongside its in-house technical team in a detailed, bottom-up review of all existing data on the Siekierki tight gas field with a view to assisting Aurelian with the development of an updated appraisal plan for the Siekierki project, and a pathway to a revised field development plan. This involves integrated reinterpretation of 3D seismic, petrophysics, geological modelling, reservoir engineering, and production technology. The extensive datasets from the two recent MFHW (Trzek-2 & Trzek-3) and the previously fraced vertical well (Trzek-1) have been particularly useful.

Considerable progress is being made on this review with the TRACS AGR team presenting their initial conclusions on the 19<sup>th</sup> December. They are now working on project valuation, commercialisation and forward appraisal plans. Results are expected in January 2012 following incorporation of well test data of Krzesinki-1 into the analysis.

The January update will include a diagnostic assessment of the first two MFHW (T-2 & T-3), the implication for GIIP and ultimate recovery from the field, an update on commercialisation options for the gas discovered to date, and will provide an updated appraisal plan and pathway to a new field development plan.

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.

### **A further 185 km of 2D seismic acquired across two surveys on operated licences in the Carpathian Thrust Fold Belt**

In the second half of 2011, Aurelian completed the acquisition of two further 2D seismic surveys in the Carpathian Thrust Fold Belt. 95 km of 2D seismic was also acquired on the Karpaty East licence in the Polish Carpathians to identify further potential drilling targets and 90 km of 2D seismic was acquired on the Cujejdiu licence in the Romanian Carpathian. This was the second survey completed on this licence in 2011.

In addition, a further 268 km of 2D seismic acquisition is nearing completion on our non-operated Bieszczady licence in the Polish Carpathians to take total block coverage to approximately 60%.

Overall in 2011, the Company has acquired 972 km of 2D seismic and 120 km<sup>2</sup> of 3D seismic on its operated licences across seven separate surveys across all our core areas including the first urban 3D seismic survey shot in Poland which was completed on Blocks 206 & 207, near Poznan City.

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

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

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

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%).

### **Exploration Prospect Inventory update now complete and new CPR underway**

A revised Prospect Inventory and exploration program, incorporating approximately 1500 km of new 2D and 340 km<sup>2</sup> of new 3D seismic data shot in 2010 and 2011 has now been completed.

RPS Energy has been engaged to produce an updated CPR based upon the new Prospect Inventory and work has now begun on reviewing the prospects. The updated CPR is expected at the end of February 2012.

### **The Company will provide an updated Corporate Strategy in light of the revised Siekierki appraisal plan and new exploration prospect inventory at the end of January 2012.**

Outside Siekierki Aurelian has a funded, material exploration plan of up to 10 wells that runs well into 2013. The significant investment over the past two years and updated exploration prospect inventory will provide further significant growth opportunities for the company. Understanding and finding a solution to Siekierki remains important in terms of value creation and capital allocation. The Independent Review of the Siekierki Project will establish the forward appraisal plan for the project. It is therefore appropriate at that time to also provide an update on the Company's strategy in the light of the Siekierki findings and the new exploration prospect inventory.

*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.*