
Press Release

Regal Petroleum plc
("Regal" or the "Company")

11 January 2010

OPERATIONAL UPDATE

Regal, the AIM-listed oil and gas exploration and production group (symbol: RPT), is pleased to provide an update on its drilling and production operations in the Ukraine and Romania.

UKRAINE

SV-58 WELL: AN INNOVATIVE TECHNICAL BREAKTHROUGH DELIVERS SUCCESS

Regal's drilling team has successfully implemented a customised jet perforation technique to overcome reservoir connectivity challenges within the SV-58 well and achieved a sustained and stable production flow from a trial target reservoir to the production plant.

Background

SV-58 (the second of Regal's new generation wells) was completed and perforated in November 2009. The well has since undergone an extended test programme from the B-sand intervals both via a production test separator and to the production facilities. The well has behaved in a somewhat unusual manner, in that a very high condensate-to-gas ratio from one of the productive sand layers has been noted to cause the well to load up quickly with condensate and thereby impacting upon the stability of gas flow.

Although instantaneous B-sand gas rates of 172,000 m³/d to flare had been obtained on a 10mm choke, the initial testing programme indicated that, at best, sustained production could only be achieved with difficulty. Average production rates to the facilities at rates of less than 10,000 m³/d required a periodic cycling scheme whereby the well was closed in to allow gas pressure to build-up in the wellbore, then opened and flowed until such time as the condensate influx overcame the flowing gas pressure.

The Company was convinced that these initial production results are not representative of the well's potential as witnessed during drilling and inferred from the logging programme. Additionally, the pressure build-up behaviour during the test programme indicated that, although the reservoir pressure is undepleted at 7,080 psi (488 ATM), there was very poor connectivity between the wellbore and the reservoir. It was apparent that a carefully planned, phased programme was required to deal with both the better than expected gas-condensate ratios and to overcome the well connectivity challenge at depth.

Production logging data was therefore acquired during the testing and additional perforation programme throughout December 2009. This data confirmed that lean gas production was coming only from a thin B22 reservoir interval (5,242 – 5,244m) with a limited contribution of condensate rich gas from the B23 layer at 5,412 – 5,416m. The other perforated B-sand intervals (5,167 – 5,172m; 5,241 – 5,249m; 5,264 – 5,303m; 5,325 – 5,343m; 5,593 – 5,599m; 5,603 – 5,609m and 5,654 – 5,660m) were not contributing at all; neither was the promising gas-bearing B24 limestone interval (perforated at 5,488 – 5,529m and 5,543 – 5,579m) which had been so problematic from a well control perspective during drilling.



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Jet Perforation Technique

The extensive test programme of December 2009 showed that the conventional perforation operations had not worked effectively, but provided a robust baseline dataset against which to benchmark the impact of a planned series of production improvement initiatives. These initiatives, although cost effective, are relatively complex and time-consuming compared to conventional perforations.

The first of these was implemented on a trial basis in SV-58 to test whether the limited inflow established from the conventionally perforated B22.2U reservoir interval (5,242 – 5,244m) could be improved. The trial was also intended to determine whether access could be provided to the B22.2L reservoir interval (5,246 – 5,248m) which appeared very similar on well logs and which had not flowed following the perforation programme.

Additional reservoir access points (9 stations, 18 perforations in total) into these two sand layers were installed over the period from 28 December 2009 to 5 January 2010. A customised jet perforation technique was used, in a field trial designed and implemented by the Regal team, which provides deeper penetration into the formation and eliminates the formation damage normally generated by conventional perforating techniques.

After the jet perforating field test undertaken in adverse weather conditions, a sustained and stable production flow of 395 boepd (55,920 m³/d of gas and 10.5 m³/d of condensate) to the production plant has been achieved, which is a significant improvement compared to the pre-test flow rates. Production logging data acquired on 10 January 2010 has demonstrated that gas inflow is coming from both the upper and lower trial zones in the B22.2 reservoir interval, indicating improved access to the reservoir from the jet perforations compared to conventionally perforated intervals. The improved access from the 4m of trial target reservoir alone (representing less than 10% of the total target reservoir) without the need to cycle the well allowed SV-58 to be brought onto continuous production at 12.00hrs on 7 January 2010.

Next Steps

It is now intended to implement this technique, during February 2010, from the remaining 75m of target reservoir in SV-58. With the exception of some inflow from the B23 zone, these layers are failing to provide any influx at all through the conventional perforations already installed. It is hoped that these operations will bring SV-58's output towards its pre-drill estimations.

These unprecedented results (an increase of around 560% in inflow performance) from the trial jet perforations have highlighted the possibility of a systemic issue with the perforation techniques previously employed across the field. A field-wide evaluation is therefore underway to identify whether other wells in the field might benefit from the application of this technique. In preparation for deploying the approach as a routine operational procedure, Regal is working with a reputable international service company to refine and optimise the pilot process developed by the Regal team.

MEX-106 WELL

In MEX-106 (the first of Regal's new generation wells) significant progress has been made in removing the mechanical obstruction (the "fish") at 5,201m. A field operation using coiled tubing has recovered a total of 8m of the "fish", leaving a residual 3m section still lodged. However, the successful recovery of the upper part of the "fish" now allows the access necessary to remove the remaining section in an operation scheduled for February 2010, and so enable the T-sand and D-sand perforation and test programme to resume shortly thereafter. In the meantime, the well continues to produce from the B-sand reservoirs, at a stable rate of 517 boepd (75,000 m³/d of gas and 12 m³/d of condensate), similar to those reported in November 2009.



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SV-61 WELL

The third of the new generation wells (SV-61) was spudded on 5 September 2009 and is making good progress. The well is presently at a depth of 5,960m in the 6" hole section, where it has reached the target reservoir interval near the top of the T-sand objective from which a core will be recovered to surface.

SV-66 WELL

The fourth and fastest of the new generation wells (SV-66) was spudded on 23 November 2009, is already at a depth of 4,548m, and is progressing to the planned depth at which the 9 5/8" casing will be run.

Reserves CPR Status

The independent reserves and resources assessment being undertaken by Ryder Scott is continuing but will require the results of the planned perforation and testing programmes for wells MEX-106, SV-58 and SV-61 to be completed. Finalisation and publication of the report will therefore be deferred until these test operations have been concluded.

Production

Current production rates are 2,072 boepd (270,489 m³/d of gas and 76.5 m³/d of condensate), and although these represent a shortfall on the Company's 2009 year-end target, the production deferral is temporary, and largely caused by the delays in establishing production from the MEX-106 and SV-58 wells. As outlined above, operations are planned during February 2010 to bring in the potential T-sand and D-sand production from MEX-106 and potential B24 limestone production from SV-58 as well as that from the remaining SV-58 B-sand reservoirs.

In addition, a well intervention programme is planned for later this year to access additional reserves that have been tested previously but which are now stranded behind pipe. Further a series of low-cost wellhead compression projects on existing wells are planned for Q4 2010 to generate additional production.

These initiatives, coupled with the incremental production gains expected from the completion of the new wells SV-61, SV-66, SV-69 and MEX-120, give the Company confidence that 2010 will be the year in which field output will grow significantly.

Romania

Regal has acquired 72.35 km of 2D seismic profiles from a total planned campaign of 105.4 km in the Barlad exploration concession (Regal 100%) in eastern Romania. The programme aims to identify potential drilling locations in the vicinity of the RBN-4 gas discovery made in December 2007. On completion of the seismic programme, the remaining work programme commitment on the Barlad concession is one exploration well, which is planned for Q2 2010.

David J Greer, CEO of Regal, commented:

"We take pride that this alternative perforating approach, conceived and executed in a very short timeframe in extreme weather conditions by Regal's small but professional team, has delivered a breakthrough solution to SV-58's reservoir connectivity challenge. It is a credit to the team that they



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have worked so diligently to understand the reservoir behaviour and persevered to deliver a successful and appropriate, low-cost solution, both safely and efficiently.

We now intend to build on our success in the trial by delivering access to the other target reservoirs in SV-58. During the drilling of this well, strong gas influxes were encountered, so we are optimistic that production from SV-58 can meet our pre-drill estimations in due course.

We are equally enthusiastic about the potential opportunities to deploy this approach across the entire field, both in future wells and in older wells where it may deliver production improvements.

Finally, we are very pleased with the excellent progress being made by our drilling team and look forward to completing our new wells SV-61 and SV-66 and concluding the MEX-106 fishing and perforation operations in the near future.”

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Ronan McElroy, PhD Geology, SPE, Chief Technologist of Regal Petroleum plc, has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.

Definitions:

ATM	atmosphere
boepd	barrels of oil equivalent per day
km	kilometre
m	metres
m ³ /d	cubic metres per day
mm	millimetres
psi	pounds per square inch
”	inch
%	percent