

Immediate Release

16 January 2007

REGAL PETROLEUM PLC
(“Regal” or “the Company”)

Update on Ukrainian Operations

Regal is pleased to announce an update on the operations being conducted in its 100% owned Mekhediviska/Golotvshinska (MEX-GOL) and Svyrydivske (SV) gas-condensate fields.

Licence History and Terms

The MEX-GOL and SV field production licences were granted to Regal (100%) in July 2004 to allow gas and condensate production from the deep Carboniferous sandstone reservoirs for a period of 20 years. The validity of the production licences was confirmed by the Supreme Court of Ukraine on 12 December 2006.

Production

The Company is presently producing gas and condensate from four wells on the MEX-GOL field area and one well on the SV field. Since the wells were re-opened on 1 August 2006, following the field closures during the licence litigation, the Company has had uninterrupted production from the MEX-GOL and SV fields. The average daily production between 1 August and 31 December 2006 was 3.85 mmcf of gas and 447 bbls of condensate (1134 boe). Average realised sales prices over this period were \$3.05/mcf for gas and \$57.34/bbl for condensate.

Workovers

As part of a planned campaign to reactivate dormant wells and increase production from existing wells the SV-10 well on the SV field was nitrogen lifted using coiled tubing in early October 2006 and placed on production test in mid November 2006. During the test phase the well has so far produced an aggregate of 100 mmcf of gas and 1940 bbls of condensate. The produced condensate has been sold along with Regal's other production.

It is planned that the SV-10 well will be put on permanent production following the installation of separation equipment in the vicinity of the well site to remove condensate and water. The processed gas will be tied in to the nearby Regal gas pipeline. This new satellite facility, along with the existing main processing facility, will have the potential for processing gas and condensate from future workovers and new wells. Based on

equipment lead times the tie-in of the SV-10 well is expected to be completed by mid-year 2007.

A total of five other wells have been identified as short-term candidates for workover. Early indications suggest that average workover costs will be approximately \$240,000 per well. Studies are currently underway under the direction of the new management team, using Western European expertise, which will lead to a decision in early 2007 on the best wells to re-enter. Once this re-entry work is completed, planned for the 3rd quarter 2007, the results will strengthen the current production and revenue from the field with an expected production uplift of at least 40% by end 2007.

Seismic and Reserves

A contract has been signed between the Company and Ukrainian State Enterprise – Ukrgeofizika to undertake a 3D seismic survey on the Company’s behalf covering 100 km² of the producing area of the MEX-GOL field. The survey will be acquired and processed by Ukrgeofizika and is expected to be available for interpretation by July 2007. Mobilisation of the seismic crew is now nearly complete and the seismic field operations have recently commenced. The survey is anticipated to cost approximately US\$2.5 million to acquire, process and interpret, and a initial payment of \$600,000 has already been made for the mobilisation.

In parallel with the planned seismic acquisition, a reservoir engineering review has commenced that will lead to the building of a new reservoir model which, when combined with the 3D seismic and ongoing well studies, will allow field reserves to be recomputed. The published reserves, audited by RyderScott in September 2005 and as reported in the Company’s Annual Report and Accounts for the year ended 31 December 2005, are set out in the table below. These reserves are stated according to the petroleum resources classification system and definitions of the Society of Petroleum Engineers.

Net Remaining Reserves (as at 31.12.2005)	Proved	Probable	Total
Oil/Condensate - mmbbls	11.4	13.7	25.1
Gas - bcf	403.4	407.9	811.3
Total - mmboe	83.3	86.4	169.7

Development Drilling

The Company is considering the recommencement of drilling operations on the MEX-103 well that was suspended in 2005 following the licence litigation which has now been successfully concluded. In addition, several new development locations have been selected and permits for drilling on these sites are now being actively sought. Drilling operations on any new well sites are likely to commence in 3rd quarter 2007 since drilling rigs and materials need to be sourced.

Full Field Development Plan

With the completion of the planned 3D seismic it is anticipated that a comprehensive reservoir model of the MEX-GOL field can be created and the existing full field development plan will be updated. Drilling and facilities construction can then commence and is expected to be underway before the end of 2007. It is planned that an update of the reserves will also be undertaken in 4th quarter 2007 with the view to issuing an audited revised estimate by year end. If, as expected, the current 3D operations are successful, it is planned that a 3D survey will be acquired over the SV field in 2008.

The Company remains committed to realising the full potential of the proved and probable reserves in its Ukrainian licences. Various funding mechanisms are under investigation to allow the Company to effectively take forward the development program.

New Technical Staff

Mr Les Devine has been engaged as Manager International Drilling, reporting to the Company's Chief Operating Officer, to ensure that Regal has access to the best available drilling practices and technology. Les has 30 years of international experience gained in operations in Europe, India and Algeria, including 20 years working with drilling contractors including Smedvig and Deutag. He will initially be based in the Ukraine.

For further information, please contact:

Regal

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Definitions:

km	kilometres
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
bbls	barrels of oil
mmbbls	million barrels of oil
boe	barrels of oil equivalent
mmboe	million barrels of oil equivalent

In accordance with the guidelines of the AIM market of the London Stock Exchange, Neil Ritson BSc (Hons) Geophysics, FGS, Chief Executive Officer of Regal Petroleum plc, is the qualified person that has reviewed the technical information contained in this press release.