



DRILLING UPDATE AND PRODUCTION REPORT FOR JULY

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Volga Gas plc
("Volga Gas", the "Company" or the "Group")

DRILLING UPDATE AND PRODUCTION REPORT FOR JULY 2019

Volga Gas plc, the oil and gas exploration and production group operating in the Volga Region of Russia, is pleased to provide the following update on its average production volumes for July 2019.

Drilling Update

Drilling of Uzen 4 horizontal sidetrack into the shallower Albian reservoir commenced on 16th March and completed on 1st June. The total meters drilled in the sidetrack was 1,132 meters including a 407 meters horizontal section at vertical depth of 795 meters. Extensive well testing under a variety of regimes resulted in gas production at approximately 1.8 mmcf/d of dry gas with 39 bpd of oil. This result is below expectations. The block targeted for development by the sidetrack appears to be mainly gas saturated. There may be a consequent reduction in oil reserves associated with the Albian formation of up to 10%. The Uzen field reservoir model is to be updated.

Separately, a slim hole drilling project was initiated in June to drill six Uzen wells in Albian reservoir. To date two test wells have been successfully drilled. The production rates are still to be tested and updates provided in further announcements in due course. Management's expectation is for production of about 35 bpd per well.

Following the successful trial, slim hole drilling is to be applied to on exploration wells in the Karpenskiy license block to test two of twenty targets identified by the recently completed seismic re-interpretation programme.

Production Report

The average production in July 2019 was 4,885 barrels of oil equivalent per day (21.1% lower than June 2019). Lower gas processing capacity was driven by a 3 day shut down for scheduled plant maintenance combined with a reduction in output from the Vostochno-Makarovskoye gas field in response to the recently observed higher water cut, announced on 17 July 2019.

Average production comprised:

	July 2019 Average	June 2019 Average	Jan-July 2019 Average
Gas:	16.6 mmcf/d	21.7 mmcf/d	19.5 mmcf/d
Condensate	1,480 bpd	1,808 bpd	1,519 bpd
Oil	359 bpd	426 bpd	410 bpd
LPG	276 bpd	332 bpd	341 bpd
Total	4,885 boepd	6,190 boepd	5,524 boepd

As a result of the more conservative production policy being adopted, management's current expectation for production for the remainder of 2019 is an average of 2,830 boepd, leading to an average of 4,400 boe per day for 2019 as a whole.

Production data is based on preliminary monthly production reports prepared for the purposes of submissions to tax authorities for Mineral Extraction Tax purposes.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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Notes

The information contained in this announcement has been reviewed and verified by Mr. Andrey Zozulya, Chief Executive Officer of Volga Gas plc, for the purposes of the Guidance Note for Mining, Oil and Gas companies issued by the London Stock Exchange in June 2009. Mr. Andrey Zozulya holds a degree in Geophysics and Engineering from the Groznensky Oil & Gas Institute and is a member of the Society of Petroleum Engineers.

The Company records production in metric tonnes (for oil and condensate) and in cubic metres (for gas). Conversions from metric to standard oil field units are used for illustrative purposes only and are based on the Company's estimate of the applicable ratios. The ratios used are 7.833 barrels per tonne for oil and 8.75 barrels per tonne for condensate and 11.735 barrels per tonne for LPG. Gas volumes are translated using 35.3 cubic feet per cubic meter and 6,000 cubic feet per barrel of oil equivalent.

Glossary

bpd	Barrels per day
boepd	Barrels of oil equivalent per day
mmcf	Millions of standard cubic feet per day

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