

10 October 2007

OIL & GAS

Buy

- Significant oil accumulation
- Good quality oil recovered
- Appraisal well now suspended

Share Price Performance



Source: Fidessa

Providence Resources PLC

Confirms significant oil discovery, offshore Ireland

Providence, together with its partners, has announced that it has now ended its well testing operations on the 50/11-3 Hook Head appraisal well, offshore Ireland.

Key Points

- Providence, who is the operator, holds, subject to Ministerial approval, a 43.5294% interest in Hook Head and has confirmed a significant oil discovery in the 50/11-3 Hook Head appraisal well
- Well 50/11-3, which is located in 240' water depth and is c. 60 km offshore Ireland, is situated in Standard Exploration Licence 2/07 in the North Celtic Sea Basin
- The well was drilled to a total depth (TD) of 4880' true vertical depth subsea (TVDSS) on schedule and within budget using the semi-submersible drilling rig Petrolia, which Providence and its partners had contracted for a 50-day period
- The well was drilled on the crest of the structure and was on geological prognosis confirming the pre-drill interpretation
- Hydrocarbons were encountered over a 484 ft. gross interval in the main target zone with 75 ft. of net hydrocarbon bearing section
- Three further prospective zones, which were identified pre-drill as exploration targets for the well, were all logged as being hydrocarbon-bearing. These good quality reservoir zones, which overly the main target zone had good oil/gas shows whilst drilling and logged a cumulative c. 20 ft. of additional net pay
- The hydrocarbon type recovered is now confirmed as a good quality (c. 30° API) crude oil, with associated gas
- The reservoir is normally pressured to c. 1,170 psi at c. 2,550 ft. TVDSS
- The reservoir porosities within the hydrocarbon bearing zones were up to 27%

Comment

Providence, as operator, has completed the drilling of the 50/11-3 appraisal well. Key reservoir and fluid data was acquired during the initial well flowing period however down-hole mechanical conditions*, which were primarily related to the integrity of the casing string cement bond, delayed the implementation of a full flow test programme. Furthermore, work on the down-hole mechanical conditions was precluded by the time limitations relating to the rig contract. A lack of good casing cement bond resulted in poor casing integrity which resulted in water ingress from zones above and below the main hydrocarbon-bearing intervals. Several sequential remedial cement jobs were carried out which hampered the ability to carry out a full testing programme within the timeframe available, however this remedial work has secured the well for potential re-use in the future as a production well. The rig is currently being demobilized.

The Hook Head partners have committed to an immediate and detailed evaluation of the well results in the context of operations as well as reservoir data with a view to further appraisal/development drilling at Hook Head early in the 2008 drilling season. Discussions have already commenced regarding the securing of an appropriate rig.

Providence will now integrate the data with the two original Marathon wells in order to ascertain potential volumetrics for the central panel. It is clear that the well results

demonstrate the presence of a significant active petroleum system in the Hook Head area which suggests that there may be further potential drilling locations.

If infrastructure is put in place for a development of Hook Head, it will open up other existing fields such as Ardmore, Dunmore and Helvick which are in close proximity as well as the Island Oil and Gas' Old Head discovery. Providence has also increased its acreage in the area. Together these fields may give the volumes required for significant development in this part of the Celtic Sea. In relation to Hook Head, we are estimating 63MMBO recoverable, of which over 20 MMBO have been modelled in each panel with the Central Panel proved and the North Panel being significantly de-risked based on the 50/11-3 well results. We continue to see upside in terms of reservoir improvement laterally as well as further potential in the overlying pay zones seen in the recent 50/11-3 well.

The potential valuation matrix with an increase from \$3/bbl for appraisal to \$8/bbl on commercial discovery to \$20/bbl on production is shown below.

Hook Head Valuation Potential

Project	Status	Plans	PVR % Holding	Target Size Oil (MMBO)	Recoverable Oil (MMBO)	Risk Factor	Attributable Oil (MMBO)	Estimated Value (m\$)	Estimated Value (m£)	VPS (£)
Hook Head	Appraisal	Drilling	44%	315	63	90%	24.7	74.04	36.84	0.015
Hook Head	Commerciality	Drilling	44%	315	63	85%	23.3	186.48	92.79	0.038
Hook Head	Producing	Drilling	44%	315	63	85%	23.3	466.20	231.98	0.094

Source: Cenkos Securities

The suspension of Hook Head with the ability of re-entering this well in the future we feel shows the excellent progress made and as such the results have significantly de-risked the project. With further work Hook Head shows continued upside potential as demonstrated in the table above.

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