

# CELTIC SEA BASINS ASSET PORTFOLIO UPDATE

## **BARRYROE OIL FIELD**

- FARM-OUT UPDATE
- UPPER GAS BEARING C-SANDS EVALUATION
- REVISED DRILLING COSTS

## **HELVICK/DUNMORE OIL DISCOVERIES**

- AWARD OF LEASE UNDERTAKING
- 50% STAGED FARM IN BY MARGINAL FIELD DEVELOPMENT COMPANY LIMITED
- ASSIGNMENT OF 9% EQUITY TO LANSDOWNE OIL AND GAS TO BE COMPLETED

## **SILVERBACK EXPLORATION PROSPECT**

- LAUNCH OF FARM-OUT PROCESS

**Dublin and London – February 18, 2016** Providence Resources P.l.c. (PVR LN, PRP ID), the Irish based Oil and Gas Exploration Company, today provides an update on a number of its assets located in the Celtic Sea Basins, offshore southern Ireland.

### **Barryroe oil field, North Celtic Sea Basin (Providence 80%, Operator)**

- Farm-out discussions continue with third parties
- A drilling proposal from an alliance of contractors under a risk-sharing cost model is also under consideration:
  - Alliance consists of a major rig operator, drilling management and well service company
  - Latest cost estimate for the drilling of appraisal well is c. £16 million

### **Barryroe (C-Sand gas resources), North Celtic Sea Basin (Providence 80%, Operator)**

- Evaluation of the upper gas bearing C-Sand reservoir at Barryroe confirms significant productivity and resource potential across the eastern portion of SEL 1/11 & southern portion of OPL 1<sup>\*</sup>
  - Modelled vertical well initial production rates of up to c. 30 MMSCFD
  - GIIP of up to c. 400 BSCF
- Discussions commenced and technical evaluations ongoing regarding potential development synergies with owners of existing gas production infrastructure

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\* In December 2015, Providence announced that it had secured an Option from PSE Kinsale Energy Limited to earn a 60% working interest in the southern portion of OPL1 through the drilling of a well

### **Helvick oil discovery, North Celtic Sea Basin (Providence 72.5%, Operator)**

- 2 year Lease Undertaking granted by Irish government with effect from March 1 2016 to allow for evaluation of low cost development options
- As previously announced\*\*, the award of the Lease Undertaking triggers a staged 50% farm-in by Marginal Field Development Company Limited (“MFDevCo”, formerly known as ABT Oil & Gas Limited ) with agreed work programme for staged equity participation:
  - 10% initial working interest assignment to MFDevCo, subject to Ministerial consent;
  - Further equity assignment (up to 40%) based on agreed work programme and receipt of Petroleum Lease from the Minister and the approval of any Plan of Development
- In 2010<sup>†</sup>, Providence entered into an agreement to assign a 10% working interest in the Helvick Field to Lansdowne Celtic Sea Limited (“Lansdowne”). Now that the Lease Undertaking has been awarded, this assignment can be completed and with the initial phase farm-in by MFDevCo, Lansdowne will be assigned a 9% interest, subject to Ministerial consent.
- Assuming completion of all phases of the farm in by MFDevCo, and the completion of the assignment to Lansdowne, the revised equity ownership for Helvick would be MFDevCo (50.0%), Providence (31.2%), Atlantic Petroleum (9.2%), Lansdowne (5.0%) & Sosina Exploration (4.6%)

### **Dunmore oil discovery, North Celtic Sea Basin (Providence 72.5%, Operator)**

- 2 year Lease Undertaking granted by Irish government with effect from March 1 2016 to allow for evaluation of low cost development options
- As above, the award of the Lease Undertaking triggers a staged 50% farm-in by MFDevCo, with agreed work programme for staged equity participation:
  - 10% initial working interest assignment to MFDevCo, subject to Ministerial consent;
  - Further equity assignment (up to further 40%) based on agreed work programme and receipt of Petroleum Lease from the Minister and the approval of any Plan of Development
- Assuming completion of all phases of the farm in by MFDevCo, the revised equity ownership for Dunmore would be MFDevCo (50.0%), Providence (36.2%), Atlantic Petroleum (9.2%) & Sosina Exploration (4.6%)

### **Silverback prospect, South Celtic Sea Basin (Providence 100%, Operator)**

- Geochemical study indicates source potential from both the Liassic and Carboniferous sections
- Farm out process to be launched in March 2016

Speaking today, Tony O’Reilly, Chief Executive of Providence, said:

*“Despite the difficult operating environment, Providence has continued to progress its activities across its portfolio of assets in the Celtic Sea basins. The Barryroe farm out remains our key focus and whilst we are not yet in a position to confirm the structure of a transaction, we continue to work to that end. In that regard, the most recent cost dynamics illustrate the highly competitive new cost environment for drilling.*

*“Whilst our priority remains firmly fixed on appraising and subsequently developing the more extensive main Basal Wealden Barryroe oil resources, the recent OPL 1 option agreement has brought the overlying C-Sand gas potential very much into focus. Given the proximity of the existing nearby gas infrastructure and available capacity, we have commenced discussions with the owners of the existing infrastructure as to whether part or all of their infrastructure could play a role in accelerating any development of the Barryroe gas resources.”*

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\*\* RNS, November 13, 2013

<sup>†</sup> RNS, December 3, 2010

*“Whilst Helvick and Dunmore are relatively small oil accumulations, the work completed to date has illustrated that the fields could be commercially developed due to both the highly productive nature of the main reservoir intervals as well as the current low development CAPEX. The granting of the Lease Undertakings, together with the staged farm-in by MFDevCo, are the next logical pre-development steps. Finally, the launch of the Silverback farm out process follows on from sub-surface work carried out by Providence over the past 12 months.”*

*“Working with our respective partners, we look forward to advancing these assets towards commercialisation.”*

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### **ABOUT PROVIDENCE RESOURCES**

Providence Resources is an Irish based Oil and Gas Exploration Company with a portfolio of appraisal and exploration assets located offshore Ireland and the UK. Providence’s shares are quoted on AIM in London and the ESM in Dublin.

### **ABOUT MARGINAL FIELD DEVELOPMENT COMPANY**

Marginal Field Development Company ("MFDevCo") formerly known as ABT Oil and Gas, is a UK based independent offshore oil and gas specialist, focused on maximising recovery from the vast, undeveloped hydrocarbon resources contained within marginal fields worldwide.

MFDevCo manage the entire lifecycle of marginal field projects from opportunity screening, suitability assessment and financing, from engineering through to production and decommissioning. We utilise appropriate re-deployable solutions which transform project returns from these undervalued assets.

MFDevCo has established the Marginal Field Delivery Consortium, a collaboration of upstream oil and gas specialists, to help deliver our projects. Leveraging the experience and expertise of the Consortium members and applying innovative, proven, normally unattended solutions, we can significantly reduce capital and operational expenditure which increases project value and return. Together with the Consortium, we use our solutions and expertise to develop and deliver small or stranded hydrocarbon accumulations, delay decommissioning and extend the life of mature fields or early production systems through which initial early revenues can provide alternative field financing.

### **ABOUT BARRYROE**

Barryroe, located in the North Celtic Sea Basin, off the south coast of Ireland, has had six wells successfully drilled on the structure. Hydrocarbons have been logged in all six wells, with flow test results from four wells. Four wells were drilled in the 1970's by Esso with a further appraisal well drilled in 1990 by Marathon Oil. The sixth well was drilled by Providence in 2011/12. The oil is light (43° API) with a wax content of c. 17-20%. The successfully tested reservoir sands are of Cretaceous Middle and Lower Wealden age located between c. 4,500' TVDSS and 7,550' TVDSS. The field is covered by both 2D and 3D seismic, the latter which was acquired in 2011.

Providence (Operator) holds an 80% interest in the licence with its partner, Lansdowne (20%). Audited (NSAI/RPS) on block resources amount to 1.048 billion barrels in place, with an estimated P50 REC of 311 MMBO (plus associated gas). A further 778 MMBO barrels in place have been identified in incremental sands, though these sands have yet to be tested.

### **ABOUT C SAND RESOURCES AT BARRYROE**

The C-Sand gas reservoir interval was originally identified by the Marathon/Esso 48/24-2 & 48/24-3 wells, which were previously drilled on the east flank of the Barryroe oil accumulation. This reservoir interval was also subsequently encountered and tested in the Providence operated 48/24-10z well, c. 45 ft above the main Barryroe basal Wealden A-Sand oil reservoir. The 48/24-10z well data indicates that the C-Sand reservoir, if drilled with zero skin and completed with production style tubing, could potentially flow at initial rates of up to c. 30 MMSCFD. New mapping, based on both 2D and 3D seismic data, together with the aforementioned well data, delivers a gas initially in place (GIIP) of up to c. 400 BSCF within the C-Sand gas reservoir in the eastern section of SEL 1/11 and the southern portion of OPL 1.

### **ABOUT OPL 1 OPTION**

In December 2015, Providence announced that through its wholly owned subsidiary, Exola Limited, Providence has entered into an exclusive option agreement (the "Option") with PSE Kinsale Energy Limited over the southern portion of Offshore Petroleum Lease 1 ("OPL 1"), which is immediately adjacent to the Barryroe oil field in the North Celtic Sea Basin.

Under the terms of the Option, Exola has the right to earn a 60% working interest in the southern portion of OPL 1 (the "Option Area") below 4,000' TVDSS (true vertical depth subsea), through the 100% funding and drilling of an exploration well in the Option Area to evaluate the resource potential of the basal Wealden reservoir interval. For clarity, the Option does not cover the northern portion of OPL 1 which contains the producing Kinsale gas field and related infrastructure and is owned and operated by PSE Kinsale Energy Limited.

The Option is exercisable for a period of 3 years and is at the sole discretion of Exola, with any future assignment of equity in respect of the Option Area, being subject to the approval of the Minister for Communications, Energy and Natural Resources.

### **ABOUT HELVICK/DUNMORE**

Helvick, located in the North Celtic Sea Basin, off the south coast of Ireland and is situated in c. 80 metres water depth being c. 36 km off the coast. The Helvick discovery well, 49/9-2, was first drilled in 1983 and flowed at a cumulative rate of approx. 9,900 BOPD and 7.5 MMSCFGD. Three appraisal wells were subsequently drilled in the late 1980's to delineate the field. In 2000, Providence drilled the 49/9-6Z well which was tested at rates of approx. 5,200 BOPD. The estimated STOIP is 9.4 MMBO, with additional mapped leads identified, such as an up thrown terrace play and stratigraphic plays, which have potentially higher volumes totalling 52 MMBO STOIP. Providence's previous work had confirmed that there are a number of low cost development scenarios which could allow for the commercial development of the Helvick oil field with a c. two production plateau rate of c. 5,000 BOPD. The preferred development concept could involve the re-use of two suspended wells on the field as an injector/producer pair which would recover c. 3 MMBO.

Dunmore lies in the North Celtic Sea Basin off the south coast of Ireland and is situated in c. 80 metres water depth being c. 40 km off the coast. Dunmore is located approximately 20 kilometres north of the Hook Head discovery. The discovery well, 50/6-1, was drilled by the then Operator, Gulf Oil in 1985/86, and flowed at a rate of approximately 2,100 BOPD of high quality (44° API) oil. In 2008, Providence drilled the 50/6-4 appraisal well on Dunmore and whilst the well failed to prove the lateral extent of the hydrocarbon bearing Upper Jurassic sands, a new oil bearing carbonate interval was intersected. Re-evaluation of the well data indicates that the tested sands seen in the original 50/6-1 well were not present in the 50/6-4 well and are interpreted to have pinched out. Such a stratigraphic pinch-out model results in a potential STOIP of 17 MMBO.

In November 2013, Providence announced a phased farm-in for both Helvick and Dunmore with Marginal Field Development Company Limited ("MFDevCo"), formerly known as ABT Oil and Gas, a UK based company who has proprietary technology for the deployment of low cost development solutions for marginal fields. As part of the farm-in, which was subject to the receipt of a Lease Undertaking from the Irish Government (now granted), MFDevCo agreed to assist the Helvick and Dunmore partners in the carrying out of a phased detailed work programme. The first phase of this work programme will be to determine whether the fields can be developed commercially, through the use of MFDevCo's innovative low cost development technologies. If the joint venture partners determine that the fields can be developed commercially, MFDevCo will carry out the necessary work required to prepare and submit, to the Minister, an outline plan of development and an application for a Petroleum Lease.

Subject to the award of a Petroleum Lease by the Minister, the third phase of the work programme would then be carried out, involving the preparation and submission of a formal plan of development to the Minister. Subject to Ministerial approval of the plan of development, MFDevCo will earn a 50% working interest in Helvick and Dunmore.

Upon completion of each phase, the interest in Helvick would be as follows:

<b>Company</b>	<b>Award of Lease Undertaking<sup>‡</sup></b>	<b>Award of Petroleum Lease</b>	<b>Approval of Plan of Development</b>
Providence	56.25000%	43.75000%	31.25000%
Atlantic Petroleum	16.49997%	12.83331%	9.16665%
Lansdowne Oil & Gas	9.00000%	7.00000%	5.00000%
Sosina Exploration	8.25003%	6.41669%	4.58335%
MFDevCo	10.00000%	30.00000%	50.00000%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Upon completion of each phase, the interest in Dunmore would be as follows:

<b>Company</b>	<b>Award of Lease Undertaking<sup>§</sup></b>	<b>Award of Petroleum Lease</b>	<b>Approval of Plan of Development</b>
Providence	65.25000%	50.75000%	36.25000%
Atlantic Petroleum	16.49997%	12.83331%	9.16665%
Sosina Exploration	8.25003%	6.41669%	4.58335%
MFDevCo	10.00000%	30.00000%	50.00000%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>‡</sup> Subject to Ministerial Approval of Assignment to Lansdowne and MFDevCo

<sup>§</sup> Subject to Ministerial Approval of Assignment to MFDevCo

## **ABOUT SILVERBACK**

Silverback is located in the South Celtic Sea Basin, in c. 100 meter water depth c. 125 km offshore Ireland and is situated in Licensing Option 13/04. Seismic interpretation and mapping of reprocessed 2D seismic reflection profile data has confirmed the presence of a large Mesozoic structural closure within LO 13/04. The closure as mapped at the top of the primary Lower Triassic Sherwood Sandstone Group level extends over a c. 170 km<sup>2</sup> area with the crest situated at a depth of c. 1,500 metres TVDSS. Volumetric modelling of this primary Silverback reservoir target indicates an initial un-risked Pmean STOIP of c. 1.36 BBO. Geochemical analysis of the Lower Jurassic shales from offset wells previously drilled within the South Celtic Sea Basin has confirmed the presence of good quality oil prone source rock intervals. A number of further Mesozoic structural closures have also been mapped within LO 13/04.

## **ABOUT LEASE UNDERTAKING**

The Lease Undertaking is a successor authorisation to the Standard Exploration and Frontier Exploration Licences granted by the Minister of Communications, Energy and Natural Resources. If the licensee discovers petroleum and if it appears to the licensee that such discovery may be commercial, the licensee shall so notify the Minister. In the event that the licensee is unable to subsequently confirm as commercial the discovery so notified, but is of the opinion that it may become commercial, and the Minister concurs with the opinion of the licensee, the Minister, on application by the licensee, shall enter into an undertaking with the licensee to grant a Petroleum Lease in relation to that part of the licensed area which contains the discovery.

## **TERMS USED IN THIS ANNOUNCEMENT**

MMBO – Million Barrels of Oil	MMBOE - Million Barrels of Oil Equivalent
BOPD – Barrels of Oil Per Day	REC – Recoverable
STOIP – Stock Tank Oil Initially in Place	BBO – Billion Barrels of Oil
SEL – Standard Exploration Licence	LO – Licensing Option
TVDSS – True Vertical Depth Sub Sea	MMSCFD – Millions Standard Cubic Feet of Gas Per Day
GIIP – Gas Initially In Place	BSCF – Billion Standard Cubic Feet

## **ANNOUNCEMENT**

This announcement has been reviewed by Dr. John O’Sullivan, Technical Director, Providence Resources P.l.c. John is a geology graduate of University College, Cork and holds a Masters in Applied Geophysics from the National University of Ireland, Galway. He also holds a Masters in Technology Management from the Smurfit Graduate School of Business at University College Dublin and a doctorate in Geology from Trinity College Dublin. John is a Chartered Geologist and a Fellow of the Geological Society of London. He is also a member of the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the Geophysical Association of Ireland. John has more than 25 years of experience in the oil and gas exploration and production industry having previously worked with both Mobil and Marathon Oil. John is a qualified person as defined in the guidance note for Mining Oil & Gas Companies, March 2006 of the London Stock Exchange. Definitions in this press release are consistent with SPE guidelines.

SPE/WPC/AAPG/SPEE Petroleum Resource Management System 2007 has been used in preparing this announcement.

**MAP - CELTIC SEA**

