

**Magnolia Petroleum Plc ('Magnolia' or 'the Company')**  
**Production Update & Reserve Report**

Magnolia Petroleum Plc, the AIM quoted US onshore focused oil and gas exploration and production company, is pleased to provide an update on current production and an independent Reserves Report as at 1 June 2015, on its leases in US onshore formations such as the Woodford and Mississippi Lime, Oklahoma, and the Bakken and Three Forks Sanish, North Dakota.

**Production Update**

- Net production stood at 309 boepd as at 1 August 2015 compared to 281 boepd on 1 January 2015
- Skunk Creek wells came online in February 2015 and added an average of 32.3 boepd net production (discounted for average decline rate)

**New Producing Wells**

- 4 wells have recently commenced production in which Magnolia has an average 0.68% working interest (see table below)
  - Initial Production ('IP') rates allow Magnolia to recover well costs quickly with decline rates slowing (after year 1) to a flatter decline rate which will continue for 35-50 years

**Reserves Report**

- Total net proved reserves ('1P') of 873 Mbbl of oil and condensate and 2,454 MMcf gas as at 1 June 2015
  - Net proved and developed producing reserves ('PDP') estimated at 174 Mbbl of oil and condensate and 567 MMcf gas as at 1 June 2015
- Total net proved and probable reserves ('2P') of 930 Mbbl of oil and condensate and 2,660 MMcf gas
- Total net proved, probable and possible reserves ('3P') of 998 Mbbl of oil and condensate and 2,828 MMcf gas
- Valuations (NPV<sub>9</sub>) assigned to proven reserves categories as at 1 June 2015 reflect lower oil prices and are based on the 1 June 2015 NYMEX futures strip prices for WTI Oil and Henry Hub Gas:
  - 1P reserves estimated at US\$20.888 million compared to US\$26.653 million as at 1 January 2015 - PDP reserves estimated at US\$5.378 million compared to US\$6.703 million
  - 2P reserves estimated at US\$22.323 million compared to US\$28.361 million as at 1 January 2015
  - 3P reserves estimated at US\$23.606 million compared to US\$29.726 million as at 1 January 2015

- Cost of drilling onshore US is decreasing in the current oil price environment
  - Decrease in drilling costs from approximately US\$3.8 million to approximately US\$1.8 million in the Woodford and Mississippi Formations

**Rita Whittington, COO of Magnolia, said,** “Even with a reduction in oil price since our last reserve report and update, Magnolia remains cash generative and profitable. We continue to maintain a low break even oil price, with costs on producing non-operated wells, including capex averaging US\$33 per barrel and as this report demonstrates, our proven reserves value at US\$20.888 million remains well above our current market valuation. Wells that were listed on our past reserve reports, that were on the economic threshold may have fallen off of the current report; however, we believe once oil prices start to climb these “threshold” wells will be moved back onto the existing report and will add additional reserve value again.

“Since the start of the year the cost of drilling wells onshore US has dramatically decreased, and as a result recent well proposals we have received to drill into the Woodford and Mississippi Formations are approximately half the cost compared to eight months ago. With this in mind, we hope to spud the Roger Swartz #2 before year end at a lower cost. Additionally, in order to grow and diversify our portfolio we are taking advantage of low oil prices to increase our leasehold in future areas of development as we look to increase our reserves and production in the year ahead.”

### Summary of Magnolia Reserves

As of 1 January 2015, Magnolia’s net reserves, future net cash flow and net present value discounted at 10% per annum (‘NPV<sub>9</sub>’) have been estimated to be as follows:

Grand Total as of June 1, 2015									
Reserve Class/Category	Gross Reserves		Net Reserves		Net Cash Flow				
	Oil & Condensate (Mbbl)	Natural Gas (MMcf)	Oil & Condensate (Mbbl)	Natural Gas (MMcf)	Future Net Revenue (\$000)	Future Net OPEX & Taxes (\$000)	Future Net Capital (\$000)	Future Net Cash Flow (\$000)	NPV Disc @ 10% (\$000)
Proved Developed Producing	16,242	103,059	174	567	13,470	4,870	-	8,601	5,378
Proved Developed Behind Pipe	309	-	8	-	564	118	9	438	233
Proved Shut In	324	8,086	6	61	815	239	-	577	428

Proved Undeveloped	14,396	117,910	685	1,826	55,635	13,315	14,308	28,012	14,848
<b>Total Proved</b>	<b>31,271</b>	<b>229,056</b>	<b>873</b>	<b>2,454</b>	<b>70,485</b>	<b>18,541</b>	<b>14,317</b>	<b>37,627</b>	<b>20,888</b>
Probable Behind Pipe	-	-	-	-	-	-	-	-	-
Probable Undeveloped	512	7,287	56	206	5,079	1,357	1,335	2,388	1,435
Total Probable	512	7,287	56	206	5,079	1,357	1,335	2,388	1,435
<b>Total 2P</b>	<b>31,783</b>	<b>236,343</b>	<b>930</b>	<b>2,660</b>	<b>75,565</b>	<b>19,898</b>	<b>15,652</b>	<b>40,015</b>	<b>22,323</b>
Possible Behind Pipe	-	-	-	-	-	-	-	-	-
Possible Undeveloped	3,397	21,050	68	168	5,339	1,439	1,518	2,382	1,283
Total Possible	3,397	21,050	68	168	5,339	1,439	1,518	2,382	1,283
<b>Total 3P</b>	<b>35,180</b>	<b>257,393</b>	<b>998</b>	<b>2,828</b>	<b>80,903</b>	<b>21,337</b>	<b>17,170</b>	<b>42,397</b>	<b>23,606</b>

The estimates shown in this report are for proved developed producing, proved non-producing, proved shut-in, proved undeveloped, probable and possible reserve classes. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated.

The future net revenue is based on the 1 June 2015 NYMEX futures strip prices for WTI Oil and Henry Hub Gas. The future net cash flow is the future net revenue, less estimated future net OPEX (well operating cost and production taxes) and future net capital. The total reserves are those defined as natural gas and liquid hydrocarbon reserves to Magnolia's interest after deducting all royalties, overriding royalties, and reversionary interests owned by outside parties that become effective upon pay-out of specified monetary balances. All reserves estimates have been prepared using standard engineering practices generally accepted by the petroleum industry and conform to the guidelines adopted by the 2007 SPE/SPEE/WPC PRMS Guidelines.

The information contained in this announcement regarding the reserves analysis has been reviewed and approved by P. Dee Patterson on behalf of Moyes & Co. Mr. Patterson has 33 years of relevant experience in the oil industry and is currently Managing Director, with Moyes & Co. in Dallas, Texas.

### **New Producing Wells**

The Company has received initial production ('IP') and current rates for a number of its new wells that have recently come online. Due to the nature of these wells, the IP rates tend to be very high allowing Magnolia to recover its well costs early. The decline rates will slow down after the first year to a flatter decline which will continue for 35-50 years.

The Buckner 1, Buckner 2, Nighswonger 2, and McLain 2 wells have all recently commenced production, bringing Magnolia's total producing well count to 201 wells.

Well	Formation	Operator	NRI (%)	Gross IP Rate boepd	Net IP Rate boepd	Gross Current Rate (after decline) boepd	Net Current Rate (after decline) boepd
Buckner 1*	Woodford	AEP	1.79	1,040.66	18.63	346.32	6.20
Buckner 2*	Woodford	AEP	1.79	747	13.37	272.77	4.88
Nighswonger Farms 2*	Mississippi Lime	Sandridge	2.42	204.66	4.95	247.49	5.99
Nighswonger Farms 3	Mississippi Lime	Sandridge	2.42	53.16	1.29	10.24	0.25
Lois 1-6H	Woodford	Petroquest	0.87	674	5.86	387.33	3.37
McLain 1	Woodford	AEP	0.98	825.66	8.09	250.91	2.46
McLain 2*	Woodford	AEP	0.98	321	3.15	109	1.07
Yani	Hunton	Equal Energy	3.80	57.68	2.19	172.74	6.56
Skunk Creek 1-8-17-15H	Bakken	Whiting	0.68	4,298	29.23		
Skunk Creek 1-8-17-15H3	Three Forks Sanish	Whiting	0.68	3,612	24.56		
Skunk Creek 1-8-17-16H	Bakken	Whiting	0.68	4,305	29.27		
Skunk Creek 1-8-17-16H3	Three Forks Sanish	Whiting	0.68	3,399	23.11		

\*These wells have recently changed status to "producing"

**\*\* ENDS \*\***

## Glossary

'1P' means Proved Reserves

'2P' means Proved plus Probable Reserves

'3P' means Proved plus Probable plus Possible Reserves

'BOE' means barrels of oil equivalent, gas is converted at its energy equivalent of 6000 cubic feet per barrel of oil

'BOEPD' means barrels of oil equivalent per day,

'BOPD' means barrels of oil per day, Abbreviation for barrels of oil per day, a common unit of measurement for volume of crude oil. The volume of a barrel is equivalent to 42 US gallons

'Contingent resources' means quantities of petroleum estimated as of a given date, to be potentially recoverable from known accumulations by application of development

projects, but which are not currently considered commercially recoverable due to one or more contingencies

'M' means Thousand

'MBO' means Thousand Barrels of Oil

'Mcf/d' means Thousand Cubic Feet per Day

'MM' means million (thousand thousand not million million), as used in oilfield and heat content units such as MMSTB and MMBtu

'MMBbl' means Million barrels

'MMcf/d' means Million Cubic Feet per Day

'NRI' means Net Revenue Interests

'Proved Reserves' means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulation - Proved reserves can be categorized as developed or undeveloped

'Probable reserves' are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves

'Possible Reserves' are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves

Reserve Status Categories

'Unproved Reserves' are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves

### **Reserve status categories define the development and producing status of wells and reservoirs**

'Developed reserves' are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be subcategorized as producing or non-producing.

'Producing reserves' are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

'Non-producing reserves' include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

'Undeveloped reserves' are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**\*\* ENDS \*\***

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## **Notes**

Magnolia Petroleum Plc is an AIM quoted, US focused, oil and gas exploration and production company. Its portfolio includes interests in 195 producing and non-producing assets, primarily located in the highly productive Bakken/Three Forks Sanish hydrocarbon formations in North Dakota as well as the oil rich Mississippi Lime and the substantial and proven Woodford and Hunton formations in Oklahoma.

## Summary of Wells

Category	Number of wells
Producing	201
Being drilled / completed	4
Elected to participate / waiting to spud	23
TOTAL	228