

**Magnolia Petroleum Plc ('Magnolia' or 'the Company')**  
**Q1 2017 Operations Update**

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company, is pleased to announce a quarterly update for Q1 2017 ('the Quarter') on its operations across proven and producing US onshore hydrocarbon formations, including the Bakken/Three Forks Sanish in North Dakota, and the Woodford, Mississippi Lime and the Hunton in Oklahoma.

**Q1 Highlights to 31 March 2017**

- 5 new wells commenced production during the Quarter - 156 producing wells in the Company's portfolio as at end of Q1 2017
- 33 new wells proposed - 13 wells currently at various stages of development including in the prolific SCOOP and STACK plays in Oklahoma
- Independent Reserves Report showed an increase in net proved developed producing reserves ('PDP') due to new wells commencing production
  - 112% increase in total net PDP oil and condensate reserves to 282.686 Mbbl as at 1 January 2017 (1 July 2016: 133.31 Mbbl)
  - 303% increase in total net PDP gas reserves to 2,343.116 MMCF (1 July 2016: 580.67 MMcf)
  - Value (NPV9) of total net PDP reserves as at 1 January 2017 increased to US\$4,026,000 (1 July 2016: US\$3,445,180)
- Borrowing base limit of US\$6 million Credit Facility increased to US\$2,214,300 from US\$1,894,849 due to net PDP reserves growth and higher oil prices
- Board changes: appointment of Ron Harwood, an existing non-executive Director of Magnolia, as Chairman of the Company on an interim basis following the resignation of Thomas Wagenhofer
- Board continues to be remunerated in shares of the Company in lieu of cash as part of ongoing strategy to minimise corporate and operating expenses
- Further cost reductions - 45% year on year reduction in Q1 operating costs building on 31% reduction in corporate overheads and operating costs at the time of the half year results as at 30 June 2016

**Outlook**

- Significant increase in proposals being received to drill new and infill wells on the Company's leases
- Focus for 2017 will be proving up reserves within the SCOOP and STACK, two highly active plays in Oklahoma where wells are economic at oil prices around US\$40 bbl

- Record production rates have been reported for wells in both plays as the horizontal laterals are extended and the amount of pay in each well has increased
- Drilling and completion costs have been significantly reduced
- Both areas exhibit lower initial decline rates during the first 12-18 months of production compared to other US play areas.

**Magnolia CEO, Rita Whittington said,** “Unlike previous quarters, the standout feature over the period is not the number of new wells commencing production during the three months, but the significant jump in new well proposals we are receiving, a reflection of the improvement in sentiment among US onshore operators. Increasingly proposals are for wells in the SCOOP and STACK plays, and for good reason: wells in these areas are prolific; decline more slowly than other US onshore plays; and are economic at oil prices well below current levels. It is for this reason that Magnolia’s priority in 2017 is to participate in drilling activity in these plays.

“Magnolia has always been a low cost, asset backed US oil and gas company focused on US onshore formations. Thanks to further significant progress made in reducing our operating costs and an increase in the level and value of our proven developed producing reserves, we are even more so today. Together with a management team with a highly complementary skillset covering all areas of our business from securing leases to drilling wells, we are well placed to increase our exposure to the SCOOP and STACK, and in the process significantly increase production and profitability in the year ahead.”

### **Well Developments**

The full list of well developments occurring in the quarter is set out below.

<b>Well</b>	<b>Formation</b>	<b>Status</b>	<b>NRI %</b>	<b>Operator</b>
Sympson 10-6H	Woodford, Oklahoma	Drilled – waiting on completion	0.44	Continental Resources
Sympson 2-7-6XH	Woodford, Oklahoma	Drilled – waiting on completion	0.40	Continental Resources
Sympson 4-6-7XH	Woodford, Oklahoma	Drilled – waiting on completion	0.40	Continental Resources
Chalfant 2-7H	Woodford, Oklahoma	Drilled – waiting on completion	0.36	Continental Resources

Sympson 8-7-6H	Woodford, Oklahoma	Completing	0.40	Continental Resources
Sympson 3-7-6XH	Woodford, Oklahoma	Drilling	0.40	Continental Resources
Sympson 9-7-6XH	Woodford, Oklahoma	Drilling	0.40	Continental Resources
Sympson 5-6-7XH	Woodford, Oklahoma	Drilled - waiting on completion	0.40	Continental Resources
Sympson 7-6-7XH	Woodford, Oklahoma	Drilling	0.40	Continental Resources
Sympson 6-6-7XH	Woodford, Oklahoma	Drilling	0.40	Continental Resources
Hazel	Hunton, Oklahoma	Drilling	0.16	Marjo

The information contained within this announcement constitutes inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014.

## **Glossary**

‘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

‘MMcfd’ 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 subcategorised 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 \*\***

For further information on Magnolia Petroleum Plc visit [www.magnoliapetroleum.com](http://www.magnoliapetroleum.com) or contact the following:

Rita Whittington	Magnolia Petroleum Plc	+01918449 8750
Jo Turner / James Caithie	Cairn Financial Advisers LLP	+44207213 0880
Colin Rowbury	Cornhill Capital Limited	+44207710 9610
Lottie Brocklehurst	St Brides Partners Ltd	+44207236 1177
Frank Buhagiar	St Brides Partners Ltd	+44207236 1177

### **Notes**

Magnolia Petroleum Plc is an AIM quoted, US focused, oil and gas exploration and production company. Its portfolio includes interests in 156 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	156
Being drilled / completed	13
Elected to participate / waiting to spud	43
<b>TOTAL</b>	<b>212</b>