

22 August 2013

# 3Legs Resources plc

## Corporate update

3Legs Resources plc (the "**Company**"), an independent oil and gas group focusing on the exploration and development of unconventional oil and gas resources, announces the following corporate update.

### Highlights:

#### *Lebien LE-2H horizontal well*

- A natural flow test was commenced on 21 July 2013 and as at 20 August the well was flowing at approximately 300 mscf/d.
- Preliminary analysis of the flow test data indicates an area of low conductivity in the vicinity of the well, potentially restricting the flow of natural gas into the wellbore, which may be addressed in future well and completion designs.

#### *Strzeszewo LE-1 vertical well*

- Flow testing commenced on 4 August 2013 using a nitrogen lift.
- As at 20 August 2013, the well was continuing to flow back frac fluid and approximately 17% of the frac fluid originally injected had been recovered.
- After being temporarily shut in to set down-hole pressure gauges, the well flowed natural gas and a flare was lit for a short period.
- Preparations are continuing for a second test programme in the well, in the Ordovician O3 or Sasino shale, the Company's primary target.

#### *2013/14 drilling programme*

- United Oilfield Services has been appointed as drilling contractor for the 2013/2014 drilling programme; a contract has now been signed which provides for the drilling of two firm wells with the option to drill up to two additional wells and/or lateral sections.
- Well locations within the Company's high-graded area are being finalised and construction of the first location is expected to commence shortly.
- The Company continues with ConocoPhillips to review regularly the drilling programme and the timetable for its implementation.

#### *Other licences*

- The Company's southern Poland concessions have been allowed to lapse, consistent with its previously-announced intention not to incur any further expenditure on these concessions.
- The Company is actively pursuing possible options for monetising its eastern Baltic Basin and southern German concessions.

## Corporate update

#### *Lebien LE-2H horizontal well*

Following the temporary suspension of operations in June, well testing recommenced on 8 July 2013. After an initial period during which the well flowed with the aid of a nitrogen lift, the well started to flow natural gas without assistance on 13 July 2013, from the Ordovician O3 (or Sasino) shale.

Down-hole gauges were then placed in the well, to collect pressure data. In addition, pressurised samples of the produced fluids were collected. This data, which has not, to the Company's knowledge, been gathered from

any previous testing in the Baltic Basin, will be used to help determine the characteristics of the reservoir fluid and reservoir conditions. Further drilling and testing of exploration wells will help the Company to improve its understanding of the reservoir characteristics of the Sasino shale on its concessions.

The well commenced a natural flow test on 21 July 2013, flowing at approximately 400 mscf/d, and as at 20 August was flowing at approximately 300 mscf/d. The well has continued to clean up during the test and by 20 August 2013 approximately 42% of the water used during the hydraulic fracturing operation on the well in 2011 had been recovered. It is currently intended to continue the natural flow test for approximately 30 days from inception, with down-hole gauges then being left in place to collect data.

Preliminary analysis of the flow test data indicates an area of low conductivity in the vicinity of the well, potentially restricting the flow of natural gas into the wellbore. This may be explained by a number of factors, many of which can be addressed in future well and completion design, such as the effective length of the lateral section, the frac design, or the presence of non-mobile elements such as paraffin.

#### *Strzeszewo LE-1 vertical well*

Following the completion of the single-stage hydraulic fracture stimulation in the Cambrian Alum (or Piasnica) shale using a cross-linked gel, cleaning up of this well commenced on 4 August 2013, using a nitrogen lift as planned. As at 20 August 2013, the well was continuing to flow back frac fluid, and some 17% of the frac fluid originally injected had been recovered. After being temporarily shut in to enable the perforations to be checked and to set down-hole pressure gauges, the well flowed natural gas and a flare was lit for a short period. It is intended to continue to seek to achieve a sustained flow of natural gas for a period, and to take gas samples. The well will then be shut in to enable pressure build-up data to be collected.

Preparations are continuing for a second test programme in the Strzeszewo LE-1 well, comprising a DFIT, hydraulic frac stimulation and flow test in the Ordovician O3 or Sasino shale, which remains the Company's primary shale target. The hydraulic frac stimulation and flow test of this zone are still planned to take place in 2013.

#### *2013/14 drilling programme*

The Company's preferred drilling contractor, United Oilfield Services, has been appointed for the 2013/2014 drilling programme and a drilling contract has now been signed. The contract provides for the drilling of two firm vertical wells with the option to drill up to two additional wells. All the wells will be drilled initially as vertical pilot wells and, as in the case of the Company's earlier vertical wells on its Baltic Basin concessions, will involve an extensive programme of coring and logging so that a full set of data can be acquired, thus enabling the Company to refine further its geological model.

Drilling operations are planned to commence in the fourth quarter of 2013 and to continue throughout the first half of 2014. Well locations within the Company's high-graded area are being finalised and construction of the first location is expected to commence shortly.

The wells will also be drilled with the option to drill lateral sections. The Company continues with ConocoPhillips to review regularly the 2013/14 drilling programme and the timetable for its implementation.

The acquisition of 32 sq km of 3D seismic on the Karwia concession has now been completed and the new data acquired are being processed.

#### *Other licences*

As indicated in its last Annual Report, the Company has been investigating options for monetising its licence interests outside its Baltic Basin concessions, without incurring any immediate expenditure on these assets. The Company is actively pursuing possible options for monetising both its eastern Baltic Basin and its southern German concessions, while it has allowed its southern Poland concessions to lapse.

**Kamlesh Parmar, Chief Executive of 3Legs Resources, said:**

"We are pleased to be conducting our third round of testing of the Lebien LE-2H horizontal well, where we are achieving a sustained and unassisted flow of gas. We are obtaining valuable new data from this test which will help us further to progress our understanding of the Ordovician O3, or Sasino, shale formation and its commercial potential. We continue to investigate possible ways of achieving improved flow rates from this and/or similar wells.

We are pleased also to have completed our first test of the Strzeszewo LE-1 vertical well, testing the Cambrian Alum, or Piasnica, shale, although we have as yet been unable to flow significant volumes of natural gas from this zone. The hydrocarbon generation potential of the Cambrian Alum shale across this region of Europe is well known and we remain believers in its potential in the area of our concessions. We will be carefully examining data from this well to see what else can be learned with a view to improving our drilling and completion strategy in this important zone."

For further information contact:

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**Notes to Editors**

3Legs Resources plc is an independent oil and gas group focused on the exploration and development of unconventional oil and gas resources. 3Legs Resources holds interests in six licences covering approximately 1,084,000 acres (gross) in the onshore Baltic Basin in northern Poland, a region considered to be one of the most promising shale basins in Europe.

The technical information and opinions contained in this announcement have been reviewed by Christie Ward Schultz (BSc in Petroleum Engineering, Texas Tech University), Engineering Manager of 3Legs Resources plc, who has over 14 years of experience in the oil exploration and production industry. She has consented to the inclusion herein of such technical information and opinions.

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