



## OPERATIONAL UPDATE

Released : 20.05.2019

RNS Number : 4519Z  
Volga Gas PLC  
20 May 2019

**20 May 2019**

**Volga Gas plc  
("Volga Gas", the "Company" or the "Group")**

### OPERATIONAL UPDATE

Volga Gas plc, the oil and gas exploration and production group operating in the Volga Region of Russia, is holding its Annual General Meeting today and is pleased to provide the following update on its activities and operations:

#### Highlights

- Between 1 January and 30 April 2019, Group production averaged 5,859 barrels of oil equivalent per day ("boepd").
- Between 1 January and 30 April 2019, realised prices for oil and condensate net of sales expenses averaged \$39.36 per barrel.
- The Group's cash position as at 30 April 2019 was US\$14.8 million (US\$15.2 million at 31 December 2018), after payment of approximately US\$2.2 million on capital expenditure, repaying the full outstanding balance of US\$1.7 million of bank debt, and purchasing 450,000 of the Company's shares in the market.
- The Group has been debt-free since February 2019.

#### Production Update

Between 1 January and 30 April 2019, Group production averaged 5,859 boepd (1 Jan to 30 April 2018: 4,010 boepd), comprising 21.3 million cubic feet per day ("mmcf/d") of gas (1 Jan to 30 April 2018: 13.7 mmcf/d), 1, 531 barrels per day ("bpd") of condensate (1 Jan to 30 April 2018: 951 bpd), 381 boepd of LPG (1 Jan to 30 April 2018: nil) and 747 bpd of oil (1 Jan to 30 April 2018: 775 bpd).

Production in the first four months of 2019 is in line with management's expectation of average production for the full year 2019 of 5,900 boepd, in spite of planned maintenance shut downs in the gas processing plant during April. The increase, compared to the equivalent period in 2018, is primarily due to higher processing capacity at the gas plant and the addition of production of LPG, both of which came into effect from May 2018.

#### Realisations

The average netback sales price for oil and condensate for the period between 1 January to 30 April 2019 was US\$39.36 per barrel (1 Jan to 30 April 2018: US\$43.96 per barrel). Domestic sales prices are closely tracking international prices after adjusting for export taxes and transport costs.

The netback gas sales price in Ruble terms was RUR 4,163 per thousand cubic metres excluding VAT (1 Jan to 30 April 2018: RUR 4,025). The average selling

price for gas for the period between 1 January and 30 April 2019 was the equivalent of US\$2.23 per mcf (1 Jan to 30 April 2018: US\$2.60/mcf).

### **Field development operations**

In the year to date the main development operations have been the drilling of three sidetracks to existing wells: one on each of the VM, Dobrinskoye and Uzen fields.

The first operations were on the two VM and Dobrinskoye and VM gas-condensate fields. The first sidetrack, on the #26 Dobrinskoye well was drilled in December 2018 and during February 2019 put on production. Drilling of the second sidetrack, on the VM#2 well, was completed on 17 February 2019. This well was drilled on a deviated path and a total reservoir intersection of 71 metres of pay has been logged in the well in a zone with average reservoir thickness of 13 metres. As announced on 3 April 2019, flow testing on the sidetrack well at VM#2 has been conducted. The well testing conducted recently resulted in gas flow but with high water cut. As the well logging indicated gas pay in the well, management believes the water is flowing from an aquifer below the reservoir through a local fault. A further workover to install a cement plug to cut off this water influx is planned. Results of this further intervention will be announced in due course. Management believes there would be no current impact on reserve estimates.

Drilling of Uzen 4 horizontal sidetrack into the shallower Albian reservoir commenced on 16 March 2019 and completed on 1 May 2019. The total metres drilled in the sidetrack was 1,132 meters including a 407 meters horizontal section at vertical depth of 795 meters. Flow testing of the well is expected to commence after the activation of underground packers to cut off water flow from beneath the reservoir. This is expected to occur in May 2019.

### **Gas plant and LPG**

Following successful process optimisation work undertaken with the Redox-based gas sweetening process during 2018, the Dobrinskoye gas plant has been operating at higher capacity and achieved average rates of 21.3 mmcf/d for the period between 1 January and 30 April 2019. Importantly the modifications carried out in 2018 also enabled the plant to operate uninterrupted during the recent winter and with reduced level of maintenance down time.

Management's next key objective is to improve the operational efficiency of the LPG plant, which commenced production in May 2018, and to increase the yields from the gas stream. The Board has authorised additional investment of up to US\$2 million for the purchase and installation of a turbo expander for the LPG plant.

### **Finance**

Revenues for the first four months to 30 April 2019 were US\$14.6 million (1 Jan to 30 April 2018: US\$12.4 million) with higher production partly offset by slightly lower prices for oil and condensate. The estimated EBITDA for January to 30 April 2019 was US\$5.3 million (1 Jan to 30 April 2018: US\$3.5 million).

The Group's cash position as at 30 April 2019 was US\$14.8 million (US\$15.2 million at 31 December 2018), after payment of approximately US\$2.2 million on capital expenditure, repaying the full outstanding balance of US\$1.7 million of bank debt, and purchasing 450,000 of the Company's shares in the market. Since February 2019, the group has no borrowings.

### **Andrey Zozulya, Chief Executive of Volga Gas commented:**

"I am pleased to report that during this period, the Company has had a strong performance operationally and financially. This performance is in line with management's expectations and the Company is in a position to reward shareholders with a US\$0.065 per share final dividend.

"The Company is looking forward to delivering further improvements to the Group's financial performance and to continuing distributions to shareholders,

which will be considered by the Board in September along with the 2019 Interim Results."

### Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

#### For further information, please contact:

##### Volga Gas plc

Andrey Zozulya, Chief Executive Officer	+7 495 721 1233
Vadim Son, Chief Financial Officer	
Tony Alves, Investor Relations Consultant	+44 (0)7824 884 342

##### S.P. Angel Corporate Finance LLP

Richard Redmayne, Richard Morrison, Richard Hail	+44 (0)20 3470 0470
---	---------------------

##### FTI Consulting

Alex Beagley, Fern Duncan	+44 (0)20 3727 1000
---------------------------	---------------------

#### Editors' notes:

Volga Gas is an independent oil and gas exploration and production company operating in the Volga region of Russia. The company has 100% interests in its four licence areas.

The information contained in this announcement has been reviewed and verified by Mr. Andrey Zozulya, Director and Chief Executive Officer of Volga Gas plc, for the purposes of the Guidance Note for Mining, Oil and Gas companies issued by the London Stock Exchange in June 2009. Mr. Andrey Zozulya holds a degree in Geophysics and Engineering from the Groznensky Oil & Gas Institute and is a member of the Society of Petroleum Engineers.

#### Glossary

bbl	Barrel
bopd	Barrels of oil per day
bpd	Barrels per day
boepd	Barrels of oil equivalent per day, in which 6,000 cubic feet of natural gas is equated to one barrel of oil
mcf	thousand cubic feet
mmcf	Millions of standard cubic feet per day

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

END

UPDUBOORKKAVAAR