



## **ASX / MEDIA RELEASE**

09 January 2015

### **Sillaro Field Reserves Revision and Production Forecast**

Po Valley Energy Ltd (ASX: PVE) would like to update the market on the Sillaro field's remaining reserves and near-term production forecast.

In October we reported a significant reduction in Sillaro production from 50,000 to around 25,000 cubic metres per day<sup>1</sup>. Since this time, together with specialist advisors, we have been analysing the cause of the change and the implications for residual reserves. The production reduction has been caused by depletion of several reservoirs and water arrival and associated sand production from some completions. Furthermore, the early water arrival in the major C2-C1 completion has led to a significant reduction in the estimate of remaining reserves on a directly comparable basis.

In light of the above, Po Valley has recently completed a comprehensive re-evaluation of the residual potential of the field. A medium term plan currently being developed for implementation is the redrill (sidetrack) of Sillaro-1. This new deviated wellbore would provide a new depletion point for the Sillaro Pliocene reservoirs and would additionally develop the Miocene reservoir located in the Sillaro license. The Miocene reservoir includes the western accumulation of the Fantuzza structure (former Eni gas field called "Budrio") which extends to the exploration license Crocetta (100% owned by Po Valley).

Given the technical and commercial viability of this plan and in accordance with SPE-PRMS standards Po Valley has reclassified 41 MMscm (1.45 bcf) of gas from the Miocene reservoir, previously classified as Contingent Resources (C2), to the Probable Reserves (P2) category.

The Sillaro-1 side-track project will optimize production of the remaining reserves from the Sillaro Pliocene reservoirs along with the development of the Miocene target. The current surface facilities will be used for all production. Tentative plans are for this work to be carried out late in 2015, it is anticipated that this project will restore Sillaro production rates to above 60,000 cubic metres per day.

Importantly, implementation of the Sillaro-1 side-track development requires regulatory approval and an adequate funding arrangement. These are being progressed.

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<sup>1</sup> Refer to the September Quarterly Activities Report dated 31 October 2014



Estimates of recoverable volumes including the Miocene reservoir are set out in the table below:

### Sillaro Field

Reserves category	Reserve estimate as at December 31, 2013		Production volumes 2014		Reserve estimate as at December 31, 2014	
	MMscm	Bcf	MMscm	Bcf	MMscm	Bcf
P1 ("Proved")	135.1	4.8	17.6	0.62	63.2	2.23
P2 ("Probable")	20.0	0.7			69.1	2.44
P3 ("Possible")	-	-			23.1	0.82
2P ("Proved + Probable")	155.1	5.5			132.3	4.67

**Notes to the table:**

- (1) The Company owns 100% of the Sillaro Field
- (2) Reserve assessments are estimated in accordance with SPE-PRMS standards.
- (3) Further detail on the reserve assessment is outlined in the additional information contained on page 3 to 5
- (4) We note that the reclassification of a portion of the Miocene target (formerly the western accumulation of the Fantuzza structure) to Sillaro Probable Reserves (P2) implies a consequent reduction in 2C Resources for Fantuzza. Specifically 41 MMscm (1.45 bcf) of Fantuzza 2C Resources have been moved to Sillaro P2 reserves. Consequently Fantuzza resource volumes as published in the Company's 2013 Annual Report will change as follows: Fantuzza 1C 12 MMsmc (0.36 bcf); 2C 122 MMsmc (4.26 bcf); 3C 196 MMsmc (6.86 bcf).

Production is anticipated to continue at a rate of between 10,000 and 30,000 cubic metres per day for the next several months.

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In accordance with the new ASX Listing Rules (Chapter 5) applicable to the reporting of oil and gas activities and reserves for oil and gas projects, additional detailed information is provided in the table below.

<b>Listing Rule</b>	<b>Information required</b>	<b>Commentary</b>
5.26	Basis for confirming the existence of a significant quantity of potentially moveable hydrocarbons	<p>The existence of a significant quantity of potentially moveable hydrocarbons is confirmed by the historical performance of the field.</p> <p>The Miocene reservoir has been previously intersected by 7 wells, with two wells extensively tested and produced between 1955 and 1964.</p>
5.26.5	The entity must disclose the reference point for the purpose of measuring and assessing the estimated reserves	<p>The reference point to measure and assess the estimated reserves will be a turbine, located on the well's site using non standard cubic meters. The figure is standardised using a Fiorentini Fiomec Calculator (FFC) which is a conversion consisting of gas temperature and pressure with gas quality parameters. The outcome of this conversion is the actual gas volume in standard cubic metres injected in the SNAM gridline. The SNAM entry point for Sillaro is 200 metres from site perimeters. The FFC prints a production report which is authenticated by the Ministry of Economic Development and this official data is then accepted by SNAM, the Company's customers and the Tax Authority.</p>
5.25.6	Provide explanation as to the method used to prepare the estimates of reserves	<p>The method used to prepare the estimates of Sillaro reserves is deterministic although guided by dynamic behaviour.</p>
<p>5.32 The first time an entity reports estimates of petroleum reserves in relation to a material oil and gas project that have materially changed from when those estimates were previously reported:</p>		
5.32.1	The entity must provide an explanation of the new data and information	<p>In 2014, there was a significant increase of the water production in Sillaro-1dir from the level C1+C2.</p>
5.32.2	The entity must provide an explanation of how it has affected the estimates of petroleum reserves	<p>By consequent, the level C1+C2 has been suspended and led to a significant reduction in the estimate of remaining reserves on a directly comparable basis.</p> <p>The company subsequently carried out an evaluation of the residual potential of the field. A medium term plan currently being developed for implementation is the redrill (sidetrack) of Sillaro-1.</p> <p>This new deviated well would provide a new depletion point for the Sillaro Pliocene reservoirs and would additionally develop the Miocene reservoir located in the Sillaro license. The remaining reserves have been revised accordingly.</p>

5.32.3	The entity must report any additions or changes to the information provided under rules 5.31.1 to 5.31.7	<p><b><i>While some of the information below does not constitute a change, for the sake of completeness all relevant information that was not disclosed prior to the adoption of the ASX Listing Rules (Chapter 5) applicable to the reporting of oil and gas activities and reserves for oil and gas projects is included below:</i></b></p> <p><b>5.31.1</b> – Reserve estimates (under 1P, 2P and 3P scenarios) have been based on the future expenditure related to the redrill (sidetrack) of Sillaro-1. Capital expenditure for this redrill has been based off recent drilling and completion experience and verified with key suppliers.</p> <p>It is assumed that the life of the field is 11 years.</p> <p>Economic considerations in confirming commerciality of the relevant reserves include deducting from estimated revenues the estimated operating costs, royalties and taxes. Operating costs have been forecast based on current operating cost levels with a decline towards end of field life.</p> <p>Gas pricing assumptions are derived from market based (Brent futures) low and high price decks.</p> <p>A post tax discount rate of 10% has been used.</p> <p><b>5.31.2</b> - The Company holds a 100% equity interest and operatorship.</p> <p><b>5.31.3</b> - The Sillaro Production Concession, located in the Bologna province, was awarded in 2008. The Sillaro structure consists of seven vertically stacked, gas charged Pliocene sands above the Top Miocene reservoir of the former Budrio Field.</p> <p><b>5.31.4</b> - Sillaro volumes estimates are reported in accordance with SPE/WPC/AAPG/SPEE Petroleum Resource Management System</p> <p>The probable reserves for Sillaro are related to four levels: E2, D2+D3, C0 and A which have been intercepted by the existing wells. Hence, the hydrocarbons in these levels have been classified as Probable.</p> <p>The possible reserves for Sillaro are based on better production performance of the following levels: A, B, C0 and C1+C2. Estimates of recoverable volumes are partly based on a simulation study for the Lower Level of the Miocene.</p> <p>The Company has conducted an economic evaluation to establish the value of the Sillaro field with the revised reserves (1P, 2P, and 3P) estimates. A point forward valuation has been generated using the industry standard net present value (NPV) calculation determined from the estimated future net cash flows of the Sillaro. The results of the evaluation confirmed commercial producibility and booking petroleum reserves.</p> <p><b>5.31.5</b> – All reported quantities will be recovered through a deviated well of Sillaro-1 (sidetrack) or the currently producing Sillaro 2 well. The current surface facilities (which are already connected to the SNAM grid) will be used for all production.</p> <p><b>5.31.6</b> - Tentative plans are for this work to be carried out late in 2015. The development plan will require approval from the Technical Office within the Italian Ministry of Economic Development. Commercialisation of the gas will be achieved through the existing off-take agreement or an alternative arrangement if deemed more preferable.</p> <p><b>5.31.7</b> - The reported estimates of reserves do not relate to unconventional petroleum reserves.</p> <p>There are no further changes or additions to information to report.</p>
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5.34.1	For first time reporting, an explanation of the new data and information, how it has affected the resource estimates and any changes or additions	<p>Fantuzza volume estimates are reported in accordance with SPE/WPC/AAPG/SPEE Petroleum Resource Management System.</p> <p>Changes to the Fantuzza resource estimates are the result of a simple reclassification of those volumes which lie directly under the Sillaro field, can be accessed through the deviated well Sillaro-1 and are located within the Sillaro Production Concession (i.e. the western accumulation of the structure). There is no further new data or information regarding Fantuzza to report.</p> <p>As detailed in the table in the body of the media release, the consequent reduction in Contingent Resources for Fantuzza when compared to the Company's 2013 Annual Report can be summarised as follows:</p> <p>1C 12 MMsmc (0.36 bcf)  2C 122 MMsmc (4.26 bcf)  3C 196 MMsmc (6.86 bcf)</p>
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**Glossary:**

*Bcf: Billion standard cubic feet*

*MMscm: Million Standard Cubic Metres*

**Qualified petroleum reserves and resources evaluator:**

*The information in this announcement that relates to Hydrocarbon Resources is based on, and fairly represents, information and supporting documentation prepared under the supervision of the Qualified Petroleum Reserves and Resources Evaluator, Mr. Greg Short. Mr Short is a Non-Executive Director of Po Valley Energy Limited, a geologist with over 40 years of oil and gas industry experience and a member of AAPG. He has consented to the form and context in which the Reserves and the supporting information are presented in this announcement.*

**About Po Valley Energy:**

*Po Valley Energy (ASX: PVE) is an oil and gas production and exploration company listed on the Australian Stock Exchange. It has an expanding portfolio of hydrocarbon assets in northern Italy. Po Valley holds 11 license areas, encompassing 2,000 km<sup>2</sup> and owns and operates two gas treatment plants. The Po Valley region is the main gas production zone in Italy. The Company's web site is <http://www.povalley.com>*