

Operational and Financial Update

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Leed Petroleum PLC
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Leed Petroleum PLC

("Leed" or the "Company")

Operational and Financial Update

Leed Petroleum PLC (AIM: LDP), the oil and gas exploration and production company focused on the Gulf of Mexico, today announces an operational and financial update.

Highlights

- The Company's total net attributable production for the quarter ended 31 December 2010 averaged 1,210 boepd (65% gas)
- Main Pass oil sales line returned to service, #1 Sidetrack placed on production during the quarter
- Amended credit facility with UniCredit Bank AG ("UniCredit")
- Commenced review of strategic alternatives
- 1 January 2011 third party reserve audit completed

Operational Update

The Company's total net attributable production averaged approximately 1,156 boepd (61% gas) during December 2010 and 1,210 boepd (65% gas) for the quarter ended 31 December 2010, representing a decrease of 30% from the previous quarter.

Ship Shoal

The Ship Shoal 201 A-6 well averaged 889 boepd (713 boepd net) (88% gas) for the quarter. The well began producing water during the quarter resulting in lower than anticipated performance. The Company conducted a series of flow tests and obtained a production log, the results of which indicate water production from the lower portion of the perforated interval. A remedial water isolation operation is planned and will be performed as well performance dictates. The well averaged 734 boepd (589 boepd net) for the month of December.

Eugene Island

The Company's total net attributable production from the Eugene Island field for the quarter ended 31 December 2010 averaged 259 boepd (28% gas). Sales from the Eugene Island field were adversely affected by shut-in's for third party pipeline maintenance and compressor repairs.

Production rates from the legacy gas-lifted oil wells at Eugene Island (A-1, A-3, A-4 and A-5 wells) have been consistent, producing with a low decline rate at the aggregate gross rate of 275 boepd (172 boepd net) (77% oil) for the quarter.

The Eugene Island A-8 well continues to produce from the Mid Tex sand and is currently flowing at approximately 232 boepd gross (145 boepd net). The decline rate accelerated during the quarter and the Company is prepared to recomplete the well to the T-1 sand upon depletion of the Mid Tex sand.

The A-7 well remains shut-in. However, Leed has evaluated the feasibility of sidetracking the A-7 well to recover incremental reserves and accelerate production from the T-1 sand. Well planning alternatives are being reviewed and final plans will be made after the results of the A-8 recompletion have been evaluated.

The Eugene Island A-6 well remains shut in. The Company plans to perform a remedial sand control treatment. This operation will be performed in conjunction with other work in the field, such as the A-8 plugback, in order to minimise mobilisation cost.

Main Pass

The oil sales pipeline was returned to service on 18 October 2010. The Company's total net attributable production from the Main Pass field for the quarter ended 31 December 2010 averaged 162 boepd (100% oil).

Medco Energi US LLC, the operator of Main Pass 64 #1 sidetrack well, commenced testing the well into the sales line during the quarter. The operator has informed the Company that the completion is not performing as expected due to plugging problems relating to fluids used during the completion operation. The well is currently producing at a gross rate 124 bopd (24 bopd net). The Operator is evaluating stimulation options. The Company owns a 25% non-operated working interest and a 19.18% net revenue interest in the well.

Grand Isle

Leed submitted an "Exploration Plan" permit application to BOEMRE on 20 August 2010. The Company continues to monitor progression of permit approval and will submit a Drilling Permit for the first well when appropriate.

Sorrento Dome

Remedial work to restore production from the 14-1 well was unsuccessful. Testing has been suspended and the Company is evaluating sidetrack options.

East Cameron

The Company's total net attributable production from the East Cameron field for the quarter ended 31 December 2010 averaged 76 boepd (100% gas).

Reserve Update

Collarini Associates ("Collarini"), an independent reserve auditor based in Houston, Texas, has audited Leed's reserves, effective as of 1 January 2011. Based on Collarini's estimates, net 2P reserves declined by 1.0 mmboe (5%) while 1P reserves declined by 1.4 mmboe (12%) relative to the previous audit as of 1 July 2010. Reserve reductions are primarily due to production run-off; reductions at Ship Shoal and East Cameron are due to accelerated decline rates and were partially offset by the identification of new proved reserves for a sidetrack location in the Eugene Island Field and improving performance in the Main Pass Field. A portion of 3P reserves were transferred to prospective resources by Collarini in order to comply with the latest changes to SPE/WPC/AAPG/SPEE Petroleum Resources Management System reserves definitions that clarified the distinction between possible reserves and prospective resources. This change resulted in reclassification of 23.8 mmboe of possible reserves to the prospective resource category. In total, the 3P reserves were adjusted downward by 23.8 mmboe (63%) while 3P plus prospective resources volumes declined by 1.9 mmboe (3%) from 1 July, 2010.

| Reserve* | Oil & Liquids | Gas | Total Oil & Gas | NPV10 |
|-----------------|--------------------------|--------------|----------------------------|------------------|
| Category | (mmbbls) | (bcf) | (mmboe) | (mm\$US)* |

| | | | | |
|---------------------------------|-------|-------|-------|--------|
| 1P | 3.92 | 37.0 | 10.09 | 242.1 |
| 2P | 6.37 | 80.0 | 19.70 | 438.0 |
| 3P | 12.66 | 166.2 | 40.36 | 812.3 |
| 3P+Prospective Resources | 15.79 | 324.4 | 69.86 | 1236.8 |

* The measure of discounted future cash flows does not purport, nor should it be interpreted to present the fair market value of the Company's oil and gas reserves

Financial Update

Details of Amended UniCredit Facility

As announced on 25 November 2010, the Company has amended its fully utilised credit facility with UniCredit Bank AG ("UniCredit"). The facility is comprised of two tranches totaling US\$26.25 million, namely a revolving credit line fully utilised at US\$25 million (subject to semi annual re-determination) and a term loan tranche of US\$1.25 million.

Corporate Update

The Company has commenced a strategic review process and has retained Macquarie Tristone (Macquarie Capital (USA) Inc.) as financial adviser to assist with this review. Macquarie Tristone will undertake a review of a broad range of strategic options, including but not limited to divesting some or all of the Company's oil and natural gas assets, securing a new bank credit facility and / or other potential transactions such as a merger with another company.

Howard Wilson, President and Chief Executive of Leed, commented:

"The Company is now engaged in a process of generating strategic alternatives and over the next few months will identify and move forward with a plan that best addresses regulatory and financial changes faced by our Company in the present environment."

Leed Petroleum PLC

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NOTES TO EDITORS

Review by a qualified person

The information contained in this announcement has been reviewed and approved by Jim Haag, P.E. (Certified Petroleum Engineer), who holds a Bachelor of Science degree in Engineering and is a member in good standing of the Society of Petroleum Evaluation Engineers (SPEE) and the Society of Petroleum Engineers (SPE), with over 35 years experience within the sector.

Reserve Estimates

Collarini Associates' reserve estimates stated in the announcement are made in accordance with guidelines published by the Society of Petroleum Engineers and are based on its interpretation of the available data.

Operations

Leed Petroleum PLC is an AIM quoted independent oil and gas exploration and production company. The Company's operations are concentrated in the Gulf of Mexico region where Leed has established a significant portfolio of producing and development assets. The Company has interests in 17 offshore blocks and 1 onshore field in the region.

Leed's strategy is to grow the Company's portfolio through organic development of its existing assets and to use its regional expertise to identify and purchase value adding properties.

Glossary

bcf - billion cubic feet (of gas)

boe - barrels of oil equivalent - determined using the ratio of one barrel of crude oil, condensate or natural gas liquids to six mcf of natural gas

boepd - barrels of oil equivalent per day

bopd - barrels of oil per day

BOEMRE - the [Bureau of Ocean Energy Management, Regulation and Enforcement, a bureau in the US Department of the Interior and](#) formerly known as the Minerals Management Service (MMS)

mcf - thousand cubic feet

mmbbls - million barrels

mmboe - million barrels of oil equivalent

SPE/WPC/AAPG/SPEE - Society of Petroleum Engineers / World Petroleum Congress / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers

Reserve Definitions*

1P - Proved Reserves

2P - Proved and Probable Reserves

3P - Proved, Probable and Possible Reserves

3P+Prospective Resources - Proved, Probable and Possible Reserves plus Prospective Resources

Proved Reserves are the estimated volumes of crude oil, condensate, natural gas and natural gas liquids which, based upon geologic and engineering data, are reasonably certain to be commercially recovered from known reservoirs under existing economic and political/regulatory conditions and using conventional or existing equipment and operating methods. When probabilistic methods are used, reasonable certainty means there is a 90% probability that the quantities produced will exceed the estimate of proved reserves. Proved reserves are limited to those quantities of hydrocarbons which have been evaluated either by actual production or by analytical tools and methods which demonstrate reasonable certainty of future recovery.

Probable Reserves are those reserves which geologic and engineering data demonstrate with a degree of certainty sufficient to indicate they are more likely to be recovered than not. When probabilistic methods are used, there is at least a 50% probability that the quantities actually produced will exceed the sum of proved and probable reserves.

Possible Reserves are those reserves which geologic and engineering data demonstrate are less certain than probable reserves and can be estimated with a low degree of certainty, insufficient to indicate whether they are more likely to be recovered than not. When probabilistic methods are used, there should be at least a 10% probability that the quantities actually produced will exceed the sum of proved, probable and possible reserves.

Prospective Resources are those hydrocarbon volumes which it is estimated may be potentially recoverable from as yet undiscovered accumulations; prospective resources can be quoted as either unrisksed or risksed volumes; the volumes of prospective resources quoted in this announcement are unrisksed.

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