

13 December 2019

**Hurricane Energy plc**  
("Hurricane" or the "Company")

**Trading and Operational Update  
&  
P1368 Licence Update**

Hurricane Energy plc, the UK based oil and gas company focused on hydrocarbon resources in naturally fractured basement reservoirs, provides a trading and operational update, and reports an update in relation to its P1368 licence.

**Highlights**

- Strong performance of Lancaster Early Production System ("Lancaster EPS") wells – during recent individual well flow tests, good natural flow rates were achieved with minimal bottom hole pressure decline
- P1368 licence extension
  - Lancaster and Lincoln subareas of P1368 extended for five years
  - Whirlwind and Strathmore sub-areas to be relinquished
- Work programme
  - Licence extension requires the drilling of certain commitment wells, resulting in a change to the forward work programme
  - Sub-vertical well(s) to determine maximum extent of Lincoln committed in 2020
  - Sub-vertical well(s) to determine maximum extent of Lancaster committed in 2021
  - Hurricane considering accelerating Lancaster drilling in 2020 to utilise rig availability
- FY2019 guidance
  - Total production of 3.1 million barrels of oil, representing an average rate of 13,300 barrels of oil per day
  - Oil sales: 2.8 million barrels across seven cargoes
  - Revenue: approximately \$165 million
  - Year-end unrestricted cash: approximately \$150 million
- FY2020 guidance
  - Lancaster EPS average production rate guidance maintained: 20,000 barrels of oil per day (before operational downtime), to be reviewed as part of the current testing programme
  - Lancaster EPS facilities availability: 90%, before any shut-ins required for tie-ins or debottlenecking

**Lancaster EPS**

The Lancaster EPS is benefiting from high vessel uptime and good well productivity, as it delivers its objectives of providing long-term data whilst generating cash flow. Production since 20 September has averaged approximately 12,500 barrels of oil per day, exceeding guidance for the quarter of 11,000 barrels of oil per day.

The heels of the 205/21a-6 well ("6 Well") and 205-21a-7Z well ("7Z Well") are only 350 metres apart. Data gathered thus far indicates immediate and strong pressure communication between the wells, suggesting that together they act as a single well. Furthermore, the Company believes that only approximately 50-60 metres of each 1 kilometre wellbore is contributing to production. Both wells are currently drawing on only a small section of the reservoir. Since late October, Hurricane has been carrying out individual flow tests to establish the optimum combined flow rate from the two wells under these conditions, and to assess individual well fluid dynamics. These results will refine understanding of reservoir performance without the impact of interference from the other well.

The 6 Well is currently flowing individually at approximately 14,700 barrels of oil per day with minimal water cut. In a prior individual well test, the 7Z Well flowed at approximately 9,400 barrels of oil per day with a stable water cut within a range of between 25-30%. These rates were achieved on natural flow. In both cases, the bottom hole pressure showed minimal decline following an initial stabilisation period, giving management confidence in the long-term productivity of these wells and the Lancaster field. The productivity performance of each well on an individual basis is in excess of the Company's pre-start-up expectations.

The Company is confident that the water cut observed is related to perched/stranded water, based on temperature data, lack of rate-dependency, and water production behaviour after shut-in periods.

Production will continue from the 6 Well on a standalone basis until late January, at which point both wells will be flowed concurrently. Results from the tests will be presented at the Company's Q1 2020 Capital Markets Day. The Company has previously outlined that it will take six to twelve months of steady state production before it is able to confirm its reservoir model and continues to see this timeline as an appropriate horizon.

Notwithstanding the instant communication between the two wells, and that the wells are effectively acting as a single well bore, the bottom hole pressure response observed to date gives the Company sufficient confidence to reiterate 2020 guidance of 20,000 barrels of oil per day, before operational downtime. This will be kept under review as the data acquisition programme continues. Facilities availability for 2020 is expected to be 90% before any shut-ins, which may be required for tie-ins or debottlenecking.

### **P1368 Licence Extension**

The P1368 licence includes the following subareas:

P1368 (Central) – Lancaster

P1368 (South) – Lincoln

P1368 (North) – Whirlwind

P1368 (South West) – Strathmore

A deed of variation relating to Licence P1368 between the Oil and Gas Authority ("OGA") and the licensees was executed by licensees on 12 December 2019. This deed grants an extension of five years to the P1368 licence, covering the Lancaster and Lincoln subareas, subject to conditions including the drilling of certain commitment wells.

The Lancaster sub-area extension is subject to spudding a commitment well by 22 December 2021, to determine the maximum extent of the Lancaster field, following which an updated field determination will be made.

The Lincoln sub-area extension is subject to spudding a commitment well by 22 December 2020, to determine the maximum extent of the Lincoln field, following which a field determination will be made.

The Whirlwind sub-area has been relinquished at the OGA's requirement. The carrying value of Whirlwind of approximately \$67 million will be fully impaired in the Company's 2019 financial results. The Strathmore sub-area has also been relinquished by the Company and the carrying value has already been fully impaired. The Company will no longer recognise resources in relation to Whirlwind (2C contingent resources of 179-205 mmboe) or Strathmore (2C contingent resources of 32 mmboe).

### **Work Programme**

As a result of the licence extension, Hurricane can now provide an update on its planned work programme for 2020, which reflects the requirements of this extension. All proposed activity remains subject to regulatory consent and, where related to joint activity with Spirit Energy, partner approval.

### *Greater Warwick Area (“GWA”)*

Hurricane is currently planning one or more sub-vertical wells to determine the maximum vertical extent of the Lincoln field in order to meet the commitment well requirement of the licence extension. At a minimum, this well will seek to confirm the mid case oil water contact at 2,200 metres TVDSS. As a consequence, the Company no longer has plans to drill any additional horizontal producers on the GWA in 2020. Well planning work is ongoing and an announcement will be made once the well plan has been confirmed. Drilling activity is not expected to start earlier than 1 June 2020 given the time required to undertake planning and permitting for the well. As a result of this, there is likely to be a period of time between February and June 2020 that the contracted rig is standing idle, incurring a cost of up to \$10 million net to Hurricane. Hurricane is currently considering alternative options to utilise the rig during this period.

The tie-back of a Lincoln well to the Aoka Mizu FPSO, tie-in to WOSPS, and associated modifications to the FPSO are still planned for 2020. Obtaining regulatory approval for this plan may, however, delay activity until 2021. Confirmation of the tie-in programme is expected during Q1 2020. In the absence of OGA approval for the tie-in of the Lincoln Crestal well (205/26b-14), the licence partners will be required to plug and abandon the well before 22 June 2020 in line with current regulatory approvals.

### *Greater Lancaster Area*

The 2021 work programme will include one or more sub-vertical wells to determine the maximum extent of the Lancaster field in order to meet the commitment well requirement of the licence extension. It is expected that these wells will be broadly similar in design to the 2020 Lincoln commitment well(s).

Debottlenecking work will be undertaken in 2021, to be available for the additional throughput from the Lancaster and Lincoln wells. Total throughput on the Aoka Mizu FPSO is expected to be 40,000 barrels of oil per day, before operational downtime, from 2022 onwards.

Hurricane is currently in discussions with Spirit Energy for the potential use of the Transocean Paul B. Lloyd Junior rig, which has been contracted by the GWA joint venture for 2020 activity, to accelerate the drilling of a third horizontal producing well in the Lancaster field in order to minimise the time that the rig is standing idle. Should this well proceed, it is envisaged that it will be tied back to the Aoka Mizu FPSO in 2021 with first oil expected at the end of 2021.

## **FY 2019 Financial Guidance**

Production since 20 September has averaged approximately 12,500 barrels of oil per day. This is below the average rate achieved since start-up due to individual well testing. Total production for the year is expected to be approximately 3.1 million barrels of oil, an average of 13,300 barrels of oil per day from introduction of hydrocarbons on 11 May 2019.

Hurricane is targeting a seventh lifting from the Aoka Mizu FPSO on or around 22 December 2019, taking total oil sales for the year to 2.8 million barrels. At current oil prices, this will result in revenue for the year of approximately \$165 million and year-end unrestricted cash of approximately \$150 million.

The Company expects to report its full financial results for the year ending 31 December 2019 on 19 March 2020.

## **Capital Markets Day**

Hurricane plans to hold a Capital Markets Day on 25 March 2020 for sell-side analysts and institutional shareholders. Hurricane will provide an update on the Lancaster EPS and the 2020 GWA programme. Details will be provided closer to the date.

## Dr Robert Trice, Chief Executive of Hurricane, commented:

*“2019 has been a transformational year for Hurricane, as we saw first oil from the first fractured basement development on the UKCS. I am delighted with the performance of the Lancaster EPS and look forward to presenting what we have learnt and what we expect from this reservoir at our Capital Markets Day in March. The results of the individual well tests have surpassed our expectations.*

*“We are pleased to have extended the licence over the Lancaster and Lincoln subareas for a further five years. We anticipate having taken a final investment decision on full field development plans for both fields by the end of that period. The deep wells that now form part of our programme will target the delineation of the maximum extent of both the Lancaster and Lincoln oil columns to a more definitive level.”*

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### About Hurricane

Hurricane was established to discover, appraise and develop hydrocarbon resources associated with naturally fractured basement reservoirs. The Company’s acreage is concentrated on the Rona Ridge, in the West of Shetland region of the UK Continental Shelf.

The Lancaster field (100% owned by Hurricane) is the UK’s first producing basement field. Hurricane is pursuing a phased development of Lancaster, starting with an Early Production System consisting of two wells tied-back to the Aoka Mizu FPSO. Hydrocarbons were introduced to the FPSO system on 11 May 2019 and the first oil milestone was achieved on 4 June 2019.

In September 2018, Spirit Energy farmed-in to 50% of the Lincoln and Warwick assets, committing to a phased work programme targeting sanction of an initial stage of full field development.

### Glossary

<b>bopd</b>	Barrels of oil per day
<b>FPSO</b>	Floating production storage and offloading vessel
<b>mmboe</b>	Million barrels of oil equivalent
<b>Spirit Energy</b>	Spirit Energy Limited
<b>TVDSS</b>	True vertical depth subsea
<b>UKCS</b>	UK Continental Shelf
<b>WOSPS</b>	West of Shetland Gas Pipeline System

**Inside Information**

This announcement contains inside information as stipulated under the market abuse regulation (EU no. 596/2014). Upon the publication of this announcement via regulatory information service this inside information is now considered to be in the public domain.

**Competent Person**

The technical information in this release has been reviewed by Dr Robert Trice, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Dr Robert Trice, Chief Executive Officer of Hurricane Energy plc, is a geologist and geoscientist with a PhD in geology and has over 30 years' experience in the oil and gas industry.

**Standard**

Resource estimates contained in this announcement have been prepared in accordance with the Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers.