



13 January 2010

**IGas Energy plc**  
(‘IGas’ ‘the Company’ or ‘the Group’)

### **Operational Update**

#### **On Track for full scale UK Gas Production next year**

The board of IGas, the leading coal bed methane (CBM) developer in the UK, is delighted to provide the following operational update.

#### **Highlights**

- **Current production – Despite severe winter conditions production continued at Doe Green**
- **Pilot production expansion – Site construction started during December on IGas’ second pilot site at Keele University**
- **Full scale Production – Planning now granted for full production site at Ellesmere Port, four further full production site applications submitted**
- **Gas resources - Gas Initially in Place (GIIP) estimates increased again to over 3.5 tcf mid case**
- **Marketing campaign launched to intensive energy users in the North West**

#### **Andrew Austin, Chief Executive Officer said:**

*“The harshest winter for some 40 years in the UK has lead to gas interruptions and highlights the need for an alternative to imported gas to maintain security of supply. IGas now has the funds, the technical knowledge and the sites close to major industrial areas to start delivering secure gas commercially. IGas has met its stated objectives for 2009 which keeps it on track for commencement of full scale UK Gas Production next year.”*

#### **Current Production - Doe Green**

Despite severe weather conditions, the Company continues to produce at Doe Green where the Company has 3 lateral and 1 vertical wells. One of these laterals (Doe Green well 2) has been in production for over a year, the other laterals and vertical are currently dewatering. Gas produced at Doe Green is being used to generate electricity, which is being sold via the electricity grid.

## **Second Pilot production site - Keele University**

In October 2009 IGas announced that it had finalised the well design for its site at Keele University Science Park and the land agreements were in place.

The Company is delighted to announce that work started on site as planned during December.

The objective of this well is to produce gas from a lateral in the Great Row seam, which is at a depth of 1,757 feet from surface and is around 11feet thick at this location. Logs from the Group's well at Willoughbridge, 5.5 miles south west of the location, provide encouragement as to the permeability of the coals in this area and the Group is expecting that the production results will be at least in line with those experienced at Doe Green.

## **Full scale production - Planning Permissions**

Planning has now been granted for a full production site at Ellesmere Port. The decision was made under delegated powers. Before the end of 2009, planning permissions were submitted for a further four full production sites dispersed in the Company's acreage in the North West of England. A typical full production site is expected to produce between 4 and 10 million standard cubic feet of gas per day. These are the first applications to be made under the framework agreement announced in 2008 with Peel Environmental Ltd ("Peel") that gives access to sites within Peel's land holdings in the North West. As part of the agreement Peel has given unlimited access to their entire land holdings in the North West for the purpose of identifying those sites suitable for CBM operations. The agreement includes commercial arrangements for leases of sites once planning permission has been granted.

### **Owen Michelson, Chairman of Peel Energy said:**

*"We are pleased with the decision at Ellesmere Port and the development of our relationship with IGas and Nexen. We see this as a first step in delivering local gas to users across the North West"*

## **Increased Gas Initially in place (GIIP)**

### **PEDL 78-2**

In August 2009, IGas announced that it had acquired 100 per cent of PEDL 78-2, which lies to the south and west of the Company's existing Swallowcroft area. This increased the Company's total acreage by around 100km<sup>2</sup>.

An independent audit of GIIP carried out by Equipoise Solutions on this acreage at the end of 2009, made in accordance with industry standard practice, revealed estimates of GIIP of 78 Bcf for the Mid case (Net IGas). This figure excludes the prior mined coals to the South and West of the PEDL.

As a result the total mid case CBM GIIP for all IGas acreage is up 298 per cent. from 893 bcf at year end 2007 to 3,558 bcf (source: Equipoise Solutions Ltd).

### **Point of Ayr**

In December 2009 the Company concluded an agreement with Nexen in which the Company increased its interest in each of the Point of Ayr Licences to 75% and should assume operatorship. The increase in the Company's percentage interests in the Point of Ayr Licences increases its exposure not only to the gas in coal but also to possible conventional and shale opportunities.

Equipoise has now also reviewed the conventional prospectivity of offshore Point of Ayr, within Seaward Petroleum Production Licence (SPPL) 1481 and identified two potentially prospective reservoirs; the Permian Collyhurst Sandstone and turbiditic sandstones towards the top of the Namurian. Several traps have been identified at each horizon, which are poorly constrained by the available seismic data. A high case estimate of the Gas in Place (GIIP) for identified leads at the Namurian and Collyhurst levels could be up to 37 Bcf unrisks within the licence area (Note: this assumes only marginal reservoir quality in the Namurian).

The Company expects to be drilling a well in Point of Ayr later this year. Depending on the final well design, it may be possible for data acquired, whilst drilling such a well, to address the reservoir quality of these leads and hence any further potential upside.

### **Marketing Campaign**

Our ability to deliver local gas to local customers in the North West and recent supply concerns and issues has highlighted significant opportunities for both IGas and intensive energy users in the region. Today we are launching a marketing campaign to invite local industrial users of gas to work with us to diversify their sources of supply to include local gas production.

A copy of one of the adverts used in the campaign can be found at our web site [www.igasplc.com](http://www.igasplc.com).

### **Contingent Recoverable Resources (2C)**

The Company estimates that it has net 2C Contingent Recoverable Resources of some 0.8 tcf of gas (140 million boe), or sufficient to supply electricity to approximately 7 per cent. of all UK households for 15 years.

Ends

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## **Notes to Editors:**

### **IGas Energy plc ("IGas")**

IGas was set up to produce and market the methane gas which is found in seams of coal. IGas is now producing gas from its pilot production site at Doe Green in Warrington and selling electricity through its on-site generation, a UK first. Initial production rates indicate that the Company should exceed its threshold for commerciality.

First full site production is targeted for 2011 and the Company is targeting 20-50 sites for production between 2011 and 2014. Sites are planned to consist of 4-6 wells with 24,000-40,000 ft of lateral in each well. Each site is expected to produce between 7 and 20 Bcf over 15 years (gross). The production from each site is expected to peak at between 4 and 10 mmscfd (650-1,700 boepd) (gross). The Company is using production technology which is known and has been demonstrated to be effective in other countries. Planning has been obtained for 8 pilot/production sites to date (excluding Ellesmere Port) from a variety of land owners and planning authorities.

IGas has ownership interests of between 20 and 100 per cent in eleven PEDLs in the UK, wholly owns two methane drainage licences and has a 75 per cent interest in three offshore blocks under one Seaward Petroleum Production Licence. These licences cover a gross area of approximately 1,756 km<sup>2</sup>. The mid case GIIP is up 298per cent. from 893bcf at year end 2007 to 3,558 bcf (source: Equipoise Solutions Ltd).

Independent analysis by world leading reservoir engineers, DeGolyer and McNaughton, prior to last year's announcement of an increased stake of 25% to 75% in Point of Ayr and increased stakes of 15% to 35% in Four Oaks, North Dees and Parkside licences confirmed Contingent Recoverable Resource of up to 821 bcf of gas (3C), equivalent to around 140 million barrels of oil. The Contingent Recoverable Resource is derived from a statistical aggregation of contingent resource ranges calculated on an individual coal seam basis.

The coal seam both generates and traps the gas, which can be extracted by drilling into the seam and collected for use as fuel. CBM is exactly the same as other forms of natural gas, and is used to provide both industrial and domestic power and has the potential to be an important new source of energy for the UK.

The CBM industry in the UK is in its early stages, but with the continuing decline in natural gas reserves from the North Sea, it is likely to become an increasingly attractive alternative potential source of energy. CBM has become a significant source of gas both in North America and Australia over a relatively short period of time during which both have seen an almost exponential growth in CBM production.

For further information please visit: [www.igasplc.com](http://www.igasplc.com).

### **Equipoise Solutions**

Equipoise is a privately owned independent consulting company established in 1998 with offices in South London. The company specialises in petroleum geology and geophysics. The work has been supervised by Dr Adam Law, Director of Equipoise, a post graduate in Geology and a Fellow of the Geological Society of London. He has 15 years experience in the evaluation of oil and gas fields and acreage. Mr Donald Alastair Scott has reviewed and approved these estimates. Mr Scott is a Director of Equipoise, and has over 40 years experience in the evaluation of oil and gas acreage.

For further information on Equipoise Solutions, please visit [www.equipoisesolutions.ltd.uk](http://www.equipoisesolutions.ltd.uk).

### **DeGolyer and MacNaughton**

DeGolyer and MacNaughton performs a variety of services related to the upstream sector of the petroleum industry, including evaluation of the hydrocarbon potential of exploration areas, estimation and classification of reserves to be recovered from new discoveries, verification of hydrocarbon reserves, production forecasting, and appraisal of properties for prospective acquisition, divestiture, issuance of securities, or financing purposes. During seven decades, the firm has successfully performed studies on hundreds of thousands of petroleum properties in more than 100 countries and provides independent reserve auditing services to some of the world's largest oil & gas companies. For further information on DeGolyer and MacNaughton please visit [www.demac.com](http://www.demac.com).

### **Nexen Inc.**

Nexen Inc. is an independent, Canadian-based global energy company, listed on the Toronto and New York stock exchanges under the symbol NXY. It is uniquely positioned for growth in the North Sea, Western Canada (including the Athabasca oil sands of Alberta and unconventional gas resource plays such as shale gas and coalbed methane), deep-water Gulf of Mexico, offshore West Africa and the Middle East.

For further information on Nexen please visit [www.nexeninc.com](http://www.nexeninc.com).

**Qualified Person**

Brent Cheshire, Executive Technical Director of IGas, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange, has reviewed and approved the technical information contained in this announcement. Mr Cheshire has more than 30 years experience.