

Thursday 18 June 2009

MERIDIAN PETROLEUM plc
("Meridian" or "the Company")

Operations Update

Meridian Petroleum (AIM : MRP), the oil and gas exploration and production company with producing assets in the USA and exploration licences in Australia, announces an update on the Company's current activities.

Development Update

East Lake Verret ("ELV"), Louisiana, USA

As previously announced, the latest Competent Person Report on ELV by DOR Engineering (as at 1 January 2009) showed Total Proved Reserves of 2.629 bcf of natural gas and 360,000 bbls of oil. Over 60% of these proved reserves are currently undeveloped and, over the remainder of this year, the Company plans to implement a drilling programme to bring a substantial proportion of these reserves on-stream. Two wells have already been identified (McKerall B-9 and McKerall 1 sidetrack) and further locations are being evaluated

McKerall B-9 Well

The primary target for the McKerall B-9 well is proven undeveloped ("PUD"), gross natural gas reserves of 3-5 bcf in two potential producing zones at depths of around 11,000 feet. Our evaluation has also highlighted substantial possible oil reserves both at this depth and at around 10,400 feet.

In order to drill the well, a new drilling and production unit needed to be formed, and this was submitted at a State of Louisiana public hearing on 28 May 2009, with approval expected shortly. Meridian will be the operator for the well, with an initial 23% working interest, and will shortly be requesting partner approval of drilling expenditure of just under US\$3 million. Partners have 30 days to confirm their approval and if any partners decide not to consent the Company will increase its working interest, potentially to over 50%.

The McKerall B-9 well is considered to be the most attractive PUD location at ELV, with initial gross production potential assessed at over 3 mmcfd. The Company is already planning for completion of the well and production through the existing ELV processing facility. Completion costs are currently estimated at around US\$2.8 million. At the increased working interest level, Meridian's total expenditure is estimated at some US\$3 million and the Company is currently in discussion with Macquarie Bank on the optimum approach for funding the well.

McKerall 1 Sidetrack

The McKerall 1 well is currently producing around 20 barrels of oil per day (“bopd”) and 125,000 cfd of natural gas. Meridian has a 45% working interest in the well. Gross reserves currently in production are less than 15,000 bbls of oil and minimal quantities of gas, but the sidetrack of the well is intended to access significant, up-dip PUD oil reserves which should be producible at a higher rate with less water.

In order to drill the sidetrack, the existing well will be permanently abandoned and this decision will require 100% approval from existing partners, which cannot be guaranteed. The Company is currently in discussion with partners to obtain this approval, or alternatively to acquire their interests, and if we can achieve full agreement in a timely manner, there is the potential to drill the well immediately following on from McKerall B-9, which would result in considerable savings on rig mobilisation costs.

Australia

The Company has received initial feedback on the processing of the 3D seismic data on PEL 82. Data processing remains on schedule for completion by the end of June and very detailed processing is currently being undertaken to filter out any ‘noise’ around the data and ensure a high quality end product. Initial interpretation will begin shortly and will continue through July. Processing so far has revealed a significant improvement in the amount of workable data at target depths compared to the old 2D data, which will enable better mapping of the potential reservoir structures and clearer identification of other features such as fault trends.

Although it is too early to judge the outcome of the 3D interpretation, a number of potential drilling partners have now been contacted, opening up the opportunity for more detailed discussions once the fully interpreted 3D data is available in the third quarter.

Production Update

ELV, Louisiana, USA

The strong March production at ELV, highlighted in the previous update, has continued through April and May with net gas production of 33.4 mmcf and 33.8 mmcf respectively. Net oil production was 1,327 bbls in April and 1,325 bbls in May.

Average daily rates of production were 230 and 224 barrels of oil equivalent per day (“boepd”) in April and May respectively. In terms of net production, ELV has been the Company’s largest producing asset since March 2009 but, with much lower costs than the sour gas Orion field, it has been the Company’s major cash generator since before the end of 2008.

The average gas price received for ELV production over the April/May period was US\$3.70/mcf.

The Company's hedging contracts delivered profits of US\$268,000 in April and US\$175,000 in May.

Orion 36 Well, Michigan, USA

Average gross daily gas production was 1.72 mmcf in May and has averaged 1.55 mmcf so far in June.

Net production to Meridian in May (based on a Net Revenue Interest of 54.589%) was 29.1 mmcf of gas and 977 bbls of liquids. This equates to a production rate of 188 boepd.

Current flowing well-head pressure is in the range of 140–145 psi. Since production start-up in August 2007, Orion has produced 2.17 bcf of gas up to the end of May 2009, 90% of projected recoverable reserves, and both production levels and well-head pressures have performed almost exactly in line with the independent projections of RPS Energy. The Company expects to be able to physically produce the well down to pressures of 20 - 25 psi, although continued low gas prices combined with the relatively high operating costs may make it uneconomic to do so. On that basis the Company expects Orion to be shut-in sometime during Q4 of this year and provision for any associated costs was made in the 2008 Accounts. The Company is currently evaluating options to maximise the cash generation potential of Orion over the rest of 2009.

The average price for Orion gas sold in May was US\$4.04/mcf.

Stephen Gutteridge, Chairman of Meridian, said:

“The further development of the proven reserves at ELV is an attractive project with substantial targets and low drilling risks. It has taken time to complete the various unitisation and partner consent processes, but, subject to finalising funding, we expect to commence drilling the McKerrall B-9 well no later than August. Depending on our working interest level, this well alone is projected to increase our ELV net production by 60% to 150%, and together with the potential for higher US gas prices this winter, this would substantially enhance our existing, positive cash-flows.”

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Ed Childers, the Company's Chief Operating Officer, who meets the criteria of a qualified person under the AIM guidance note for mining and oil and gas companies, has reviewed and approved the technical information contained in this announcement.

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