

12 May 2017

**PRESIDENT ENERGY PLC**

("President", "the Company" or "President Energy")

**WELL DP 1002 S/T, DOS PUNTITAS FIELD**

**PUESTO GUARDIAN CONCESSION, SALTA, ARGENTINA**

**Update on Ongoing Disputes with Service Providers**

President gives the following update on its disputes with certain Service Providers in relation to the halted drilling of Well DP1002 S/T ("the Well") in late 2016.

**Highlights**

- President is pursuing claims against two internationally known service providers for what President currently assesses are loss and damages of US\$10 million in aggregate, in relation to what the Company considers as their actions/omissions in relation to the Well
- Mediation/inter-party discussions are continuing with lawyers representing all sides, with such service providers currently denying liability
- If not capable of amicable settlement, President will vigorously protect its position and pursue its claims through the relevant Courts/Arbitration

**Overview**

Having carefully considered currently available evidence and taken expert legal advice, President is of the robust view it has valid and substantial claims in relation to the Well against two service providers, both multi national well known companies, totalling, in aggregate, on a full liability basis, in excess of US\$10m. These claims are currently being denied by such service companies. Whilst currently in good faith discussions with such parties including a mediation process, President will have no choice but to vigorously protect its position and pursue those claims through the appropriate legal channels if no satisfactory settlement can be achieved in the near future.

President is confident that if the Well had been completed in accordance with the pre-drill plan, it would have been very successful, estimated by the Company to have initial flow of over 1,000 barrels of oil per day from a known productive reservoir to which the Well was eventually successfully drilled and in respect of which there is an established producing vertical well less than 500 metres away. President fully intends therefore to claim compensation for loss and

damages suffered as a result of its non completion and has been advised it may do so under the applicable Argentine law.

Whilst each of the two service providers have themselves made claims against President for certain unpaid monies, the Company rejecting such, considers that such sums are far outweighed and extinguished by the claims of President which it is pursuing in respect of the Well.

## **Background to the Dispute**

### **Weatherford International de Argentina S.A. ("WFT")**

President has claimed substantial amounts from WFT in relation to the Well and has rejected claims from WFT that it owes WFT any monies in respect of the Well however arising. President considers its claims on a full liability basis against WFT alone to be in excess of US\$10m. WFT has denied President's claims.

WFT, a subsidiary of Weatherford International, a well known international oil field services company whose shares are traded on the New York Stock Exchange, contracted to supply certain services in relation to the Well, including, but without limitation, Company Man and Drilling Engineer throughout the drilling process. A common industry definition of Company Man is that such person or persons are the representative of the oil company or operator on the drilling location and are responsible for operational issues including efficiency of the project.

The claims against WFT include, but without limitation, in relation to (i) approval of drill pipe and other equipment of the drilling contractor inter alia to ensure it was in conformity with the drilling contract and /or fit for purpose, (ii) the lost Bottom Hole Assembly (iii) failed cement plug, and (iv) loss of casing after the Well was finally drilled to the productive reservoir, which loss finally led to the halting of the Well.

The current position is that the parties have to date failed to resolve their respective differences through a mediation process which presently continues. President, after receiving expert legal advice, takes a robust view in relation to its claims and their merits and subject to there being no amicable resolution, the claims will be vigorously pursued through the Courts/Arbitration as the case may be. As this may be a lengthy process further information can only be supplied in due course at appropriate and proper times.

## **Helmerich & Payne (Argentina) Drilling Co. (“H&P”)**

H&P provided drilling services for the Well. They are a branch of Helmerich & Payne Inc., an international drilling company whose shares are traded on the New York Stock Exchange.

President is in dispute with H&P as it has currently certain claims against H&P and is in addition withholding monies to H&P which H&P are themselves claiming. H&P is denying President's claims which President considers are substantial.

A material part of President's dispute with H&P surrounds, but is not limited to, the circumstances of the lost in-hole Bottom Hole Assembly referred to in the RNS of President dated 2 September 2016.

In relation to the section of drill pipe that went in the hole and fractured leading to the loss of the BHA, it is an important issue in the disputes with both H&P and WFT to identify the facts and causation of the loss, including but not limited to conformity to the contractually agreed specification of the drill pipe and actions taken. President has, notwithstanding and without limitation or prejudice to the fact it contends it is free to do so, asked for confirmation from H&P that they had no objection to the relevant drill pipe being independently investigated by destructive testing to be carried out by a leading and specialist state owned Argentine laboratory. A visual inspection report from such laboratory has already been received by both H&P and President and the next step is for such destructive testing to take place. After having received the said visual report, H&P objected and purported to refuse any further testing of the drill pipe and requested return of the relevant pipe to themselves which demand President has refused.

In addition President's claims against H&P include, but without limitation in relation to the readiness and faults of the relevant Drilling Rig (eg five days non productive time due to breakdown in the first 21 days of work), the equipment provided, and the dropping of a drill bit down the hole, fortunately caught by the Blow Out Preventer but writing off the expensive drill bit. H&P have denied all President's claims.

President and H&P are currently in good faith negotiating with a view to arriving at a formula to permit the relevant testing to take place, although there can be no guarantee of the outcome of such negotiations. In any event should the currently good faith discussions taking place bear no fruit, President will not hesitate to vigorously take action to enforce all and any claims against H&P which it deems appropriate to pursue through applicable channels.

The dispute in relation to H&P is ongoing and further information will be supplied in due course as and when appropriate and proper.

Peter Levine, Chairman, commented:

"The result of the Well DP1002 S/T was disappointing. It would in our view have likely to have been an excellent producer. Whilst the undrained oil is still there, it clearly set back the Company's plans materially and the costs thrown away as well as lost production are high numbers.

"I remain hopeful that we can in good faith arrive at a satisfactory settlement of all respective claims with the two relevant service companies with whom we are currently in discussions. It is important that we give ourselves and the other parties this opportunity to resolve matters in a mature and reasonable way.

"If however, such discussions do not bear fruit we will, protecting the interests of our shareholders, without further hesitation or delay, act to vigorously protect the Company's position and pursue our legitimate and substantial claims whether it be through the Courts or by Arbitration as the case may be."

This announcement is inside information for the purposes of article 7 of Regulation 596/2014.

Contact:

**President Energy PLC**

Peter Levine, Chairman

+44 (0) 207 016 7950

Miles Biggins, COO

+44 (0) 207 016 7950

**Peel Hunt LLP (Nominated Advisor & Joint Broker)**

Richard Crichton, Ross Allister

+44 (0) 207 418 8900

**BMO Capital Markets (Joint Broker)**

Jeremy Low, Neil Haycock and Tom Rider

+44 (0) 207 236 1010

**Vigo Communications**

Chris McMahon

+44 (0) 207 830 9700

Patrick D'Ancona