

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

**Operations Update**

**London, 5 December 2022** - Serica Energy plc (AIM: SQZ), a British independent upstream oil and gas company with operations centred on the UK North Sea and over 85% gas production, provides the following operations update.

**North Eigg**

The North Eigg exploration well 3/24c-6B has been drilled to a total depth of 16,728 feet in the Jurassic Heather formation and initial analysis indicates that, whilst the well has encountered hydrocarbons, commercial quantities have not yet been established. At the well location, the objective sands were thinner than had been prognosed but a total of 16 feet of hydrocarbon-bearing sands were encountered, and these have confirmed the presence of hydrocarbons at a deeper depth than in the adjacent producing Rhum field.

A full suite of wireline logging data has been acquired and our analysis is ongoing. We aim to determine if a future sidetrack location can be designed to better evaluate the volumes of hydrocarbon in this new discovery. It is our intention that the well will be suspended pending the results of this further work prior to future potential re-entry and sidetrack.

Final well costs will not be known until after the rig is off hire, but it is likely that the net after tax cost of the well to Serica will be around £13 million.

**Production**

Serica production performance in the second half of 2022 continues to benefit from the investment programmes that the company has continually undertaken since the acquisition of interests in Bruce, Keith and Rhum in 2018. Serica's net production is as follows:

		Jul 22	Aug 22	Sep 22	Oct 22	Nov 22
Bruce / Keith	(boe/d)	5,661 <sup>1</sup>	8,644	8,111	7,829	7,070
Rhum	(boe/d)	13,046	11,269	14,784	17,115	18,641
Erskine	(boe/d)	807	1,225	1,321	2,113	1,794
Columbus	(boe/d)	1,712	606 <sup>2</sup>	1,591	1,274	1,472
<b>Total</b>	<b>(boe/d)</b>	<b>21,226</b>	<b>21,744</b>	<b>25,807</b>	<b>28,331</b>	<b>28,977</b>

Serica's net production YTD has averaged 25,955 boe/d and full year 2022 production is expected to be within the existing guidance range of 26,000 to 28,000 boe/d. Serica's production continues to be more than 85% gas.

**Commodity Prices and Hedging**

Commodity prices, particularly gas, have remained strong during the second half of 2022 although somewhat lower in October and November. Monthly average market prices have been as follows:

		Jul 22	Aug 22	Sep 22	Oct 22	Nov 22
Gas - NBP	(p/th)	222.5	362.5	240.0	103.9	119.9
Oil - Brent	(\$/bbl)	111.9	100.4	89.8	93.3	92.1

<sup>1</sup> Bruce and Rhum production figures were impacted by the planned 14-day preventative maintenance shutdown in late July and early August

<sup>2</sup> Columbus and Erskine field production was also impacted by planned maintenance shutdowns

Due to Serica's increasing financial strength, the company has not entered into any new gas price hedging since July 2021 and has no immediate plans to do so. Serica continues to hold a modest remaining hedging programme with less than 20% of gas production covered in the second half of 2022, thereby allowing the company to benefit from full market prices on over 80% of its production. The existing gas hedges will reduce to zero during the next twelve months.

At the start of this year Serica held hedges covering a total of 146 million therms<sup>3</sup>. This number will have dropped to below 32 million therms by the end of 2022. Margin call requirements on these hedges had stood at over £300 million earlier in the year but have now reduced to significantly below £100 million.

### **Forward Programme**

Serica continues to provide responsibly sourced gas to the UK domestic market, protecting security of supply, and reducing reliance on higher carbon intensity imports as part of the transition to a lower carbon future. We will continue to invest in our assets to maintain production levels and provide jobs.

The recent action by the UK Government to increase the marginal rate of tax on the UK Upstream Oil & Gas sector to 75% with no floor to prices, will make it challenging for the industry to invest in new longer-term UKCS projects. Nevertheless, we remain committed to expanding our portfolio through M&A.

### **Mitch Flegg, Chief Executive of Serica Energy, commented:**

"Although the North Eigg exploration well has not delivered the result we had hoped for, it has demonstrated the presence of hydrocarbons and provided a huge amount of high-quality data. In particular, the presence of hydrocarbons at deeper than expected depths will lead to a re-evaluation of both North Eigg and South Eigg.

Elsewhere, our production performance has been strong, and we will continue to invest in our existing portfolio in order to maintain this performance. In parallel, as a significant North Sea operator, Serica will continue to selectively review new potential projects to maintain our North Sea presence whilst also seeking greater clarity and stability on the taxation regime to enable these projects to proceed.

While we believe in the importance of the UK Oil & Gas sector, we are now considering opportunities in other countries alongside those in the UK as we continue to seek to expand our portfolio and create value for all of our stakeholders."

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<sup>3</sup> Structured as part swaps and part fixed pricing under GSA's

## Regulatory

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, as retained in the UK pursuant to S3 of the European Union (Withdrawal) Act 2018.

The technical information contained in the announcement has been reviewed and approved by Fergus Jenkins, VP Technical at Serica Energy plc. Mr. Jenkins (MEng in Petroleum Engineering from Heriot-Watt University, Edinburgh) is a Chartered Engineer with over 25 years of experience in oil & gas exploration, development and production and is a member of the Institute of Materials, Minerals and Mining (IOM3) and the Society of Petroleum Engineers (SPE).

## Enquiries:

### **Serica Energy plc**

Mitch Flegg (CEO) / Andy Bell (CFO)

**+44 (0)20 7390 0230**

### **Peel Hunt (Nomad & Joint Broker)**

Richard Crichton / David McKeown

**+44 (0)20 7418 8900**

### **Jefferies (Joint Broker)**

Tony White / Will Soutar

**+44 (0)20 7029 8000**

### **Vigo Consulting (PR Advisor)**

Patrick d'Ancona / Finlay Thomson

**+44 (0)20 7390 0230**

[serica@vigoconsulting.com](mailto:serica@vigoconsulting.com)

## NOTES TO EDITORS

Serica Energy is a British independent oil and gas exploration and production company with a portfolio of UKCS assets. Over 85% of Serica's production is natural gas, a key element in the UK's energy transition, and the Company is responsible for 5% of the gas produced in the UK. The Company is pursuing growth opportunities that promote UK energy security, fit within the parameters of the UK North Sea Transition Deal and where it can add value by deploying its proven technical and commercial expertise.

Serica operates the producing Bruce, Keith and Rhum fields in the UK Northern North Sea, and the producing Columbus field in the UK Central North Sea. Serica also holds a non-operated interest in the producing Erskine field in the UK Central North Sea.

Further information on the Company can be found at [www.serica-energy.com](http://www.serica-energy.com). The Company's shares are traded on the AIM market of the London Stock Exchange under the ticker SQZ and the Company is a designated foreign issuer on the TSX. To receive Company news releases via email, please subscribe via the Company website.