

Monday 3 August 2009

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

Operations Update

Drilling Operations at East Lake Verret underway

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 drilling at the East Lake Verret ("ELV") field in Louisiana, USA and on production.

McKerall 3 Well, East Lake Verret

Drilling operations on the McKerall 3 well (previously B9) commenced on 2 August 2009 and are expected to take around 20 days. The contracted drilling rates are favourable and the Company currently estimates total gross drilling costs will be in the range of US\$2.5 – 2.7 million.

The Company proposed the well to partners for approval of the expenditure at the end of June. They were required to respond concerning participation within 30 days and one partner has confirmed that it will not participate in the well and has agreed to farm out its interest to existing partners. As a result Meridian will increase its working interest in the well to 59.4%. After royalties, Meridian's net revenue interest (NRI) will be 50%.

The McKerall 3 well is targetted at proven, undeveloped natural gas reserves in the Operc 2 and 3 sands at depths of around 11,000 feet. These sands may also yield possible oil reserves and there is a further possibility of oil reserves in the Rob 5 sands at around 10,500 feet.

With three potential pay-zones, decisions on a completion strategy will be finalised once drilling and logging are complete. Gross completion costs are estimated at US\$2.8 million if all three potential pay-zones are completed by the on-site drilling rig, but may be substantially lower if it is decided to complete only the primary target, the Operc 3 sands, initially, and bring in work-over rigs as required to complete the other zones at a future date.

With a working interest of just under 60% and assuming the higher level of completion costs, the Company would expect to invest over US\$3 million in the McKerall 3 well.

As announced at the time of the acquisition of ELV in June 2008, Macquarie Bank Ltd ("MBL") has provided the Company with a three year US\$50 million credit facility. The facility is available in three Tranches, and Tranche B of US\$6 million is specifically intended for the funding of further development of ELV. Following discussions with

MBL, they have agreed that Meridian's share of the cost of drilling and completing the McKerall 3 well can be funded by a drawdown of Tranche B.

As a result, Meridian will drawdown up to US\$3.6 million (60% of total Tranche B), as required to drill and complete the well. In accordance with the terms of the facility agreement, warrants over 1.1 million ordinary shares in the Company have been granted to MBL. The exercise price of the warrants is a 20% premium to the volume weighted average price over the 30 days prior to MBL committing to funding, and that has been calculated as 44.89 pence per Meridian share.

The Company has assessed the potential for natural gas reserves in the Operc sands as 3-5 bcf with a potential flow rate of over 3 mmcf/d. Based on the Company's NRI, this would increase Meridian's net natural gas production from ELV by 150%. With the very low operating costs of less than 50 cents per mcf at ELV, and on the basis of current forward gas prices, the Company expects to fully recover the cost of the well within 15 months.

Production

East Lake Verret, Louisiana, USA

Net natural gas production from ELV in June was 30.6 mmcf. Net oil production was 1,233 bbls, giving a combined average daily rate of production of 211 barrels of oil equivalent per day over the month.

The average prices received for ELV production were US\$3.76/mcf and US\$65.68/bbl for gas and oil respectively.

The Company's hedging contracts delivered profits of US\$152,000 in June.

Orion 36 Well, Michigan, USA

The Company sold its interest in Orion with effect from June 10 2009.

Gross production in the first 10 days of June was 15.6 mmcf of natural gas and 638 bbls of natural gas liquids ("NGL's"). The Company's share of production was 8.5 mmcf of natural gas and 348 bbls of NGL's.

Interim Results

The Company will announce its interim results for the 6 month period to June 2009 on 24th September 2009.

Stephen Gutteridge, Chairman of Meridian, said:

"Production from ELV over the past 12 months has been excellent, with the existing producing wells maintaining better than anticipated flow levels. We were always aware of the considerable proven upside in the field and we are looking forward to the results from the McKerall 3 well confirming this potential.

“In recent weeks we have also begun to investigate the opportunities in ELV beyond the known, proven undeveloped reserves and we have identified a number of potentially significant areas to explore.”

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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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