

Regulatory Story

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VIALOGY BUSINESS UPDATE

Analysis delivered for seven new oil well locations

Company chosen for US DOD security contract

Pasadena, May 28, 2010. ViaLogy (LSE: VIY) ViaLogy announces the recent contractual completion and delivery of analysis for seven new well locations on two onshore projects in Texas and New Mexico. ViaLogy has also completed survey design and acquisition of 3D seismic data for two client leases; drilling locations determined by ViaLogy's proprietary QuantumRD technology will be delivered in July. Depending on customer decisions to commence drilling, ViaLogy expects three clients to drill three to five wells at ViaLogy locations before the end of autumn.

Under contract to a private Oklahoma independent exploration and production firm, ViaLogy has delivered four well locations and supporting analysis. Recommended total depths range from 11,000 to 12,000 feet total depth, and target the Pennsylvanian Morrow channel sandstone at a New Mexico prospect. QuantumRD analysis produced different drilling locations than the client's internal formation structural and porosity models and, significantly, also explained previously drilled dry-holes. To date, only a small number of successful completions have been achieved in this prospect formation. ViaLogy's collaboration with this well-known Oklahoma firm provides another opportunity to demonstrate QuantumRD's value beyond currently used conventional techniques. The timing of

the drilling schedule on the ViaLogy recommended locations is under the client's sole control.

Under a new, second contract to analyze a 15 square mile prospect for a Midland, Texas E&P firm, ViaLogy also recently delivered 3 additional well locations targeting both Strawn and Wolfberry carbonate zones. The recommended wells would be drilled to a total depth of 12,000 to 12,500 feet. As usual, the client will drill wells per their own operational schedule. The same client presented results and completion data for its first successful ViaLogy well drilled on the prospect three months ago. The presentation was to the Annual Symposium of the Permian Geophysical Society meeting in Midland on May 6, 2010, abstracts on which can be found here: <http://pbgs.seg.org/abstracts/index.html>

ViaLogy also supervised subcontractors who completed back-to-back 3D seismic acquisition surveys for ViaLogy clients at two Central Texas prospects - Rocking Chair Ranch for the Buckingham Group and Eubanks Platform for the Enrich Corporation. Both are turnkey contracts with ViaLogy responsible for 3D survey design, acquisition, seismic processing and drilling location recommendations. ViaLogy is receiving services fees as well as a working interest in completed wells on these two fields. ViaLogy's deliverables are due at the end of July. Drilling is expected at some of these locations before the end of the year.

Two previously completed Texas wells in which ViaLogy has a contractual working interest are to be reworked by the operator, Atascosa, to increase production using typical stimulation procedures. One well requires new pumping equipment and tubing, and the other requires a cement "squeeze" into the formation below productive sandstone zones to control water flooding. Such rework is common practice. Production from estimated reserves (publicly available monthly) has been irregular due to operator's decision to periodically shutdown well to avoid formation damage prior to rework. As in all such cases, rework schedule and drilling decisions are solely those of ViaLogy's clients, and out of ViaLogy's control.

Atascosa recently drilled one of the ViaLogy-determined locations in the Escondido formation in south Texas. Borehole logging data showed ViaLogy QuantumRD predictions of porosity and depth estimates of productive sands to be correct, further validating the technology. But post-drilling analysis also suggested a drift in the drilling of the borehole by as much as 200 feet away from the ViaLogy specified endpoint. Atascosa says that had it attempted a controlled directional borehole using "measure while drilling" techniques - as opposed to trying to hit the target with a vertical borehole - the result would have been the good net-pay well predicted by ViaLogy. It will proceed to drill another ViaLogy-recommended location in the same Escondido formation.

ViaLogy CEO Robert Dean commented, "As a services company, ViaLogy provides its best, and we believe unique, advice to our clients who make their own independent drilling and rework

business decisions. With respect to our QuantumRD technology, this first Escondido well demonstrates again the technology's value in predicting porosity and locating hydrocarbon reservoirs -- which is what we were asked to do. ViaLogy's focus is now squarely on achieving industry best practice status for the standard and extended use of QuantumRD technology in the oilpatch."

Security and Surveillance

In its security and surveillance business area, ViaLogy announces its first task order contract as a team mate of US defence contractor, Science Applications International Corporation ("SAIC"), on the US Department of Defence Force Protection System II contract.

On the task order contract, ViaLogy has begun work to develop and test a new software package to validate communications between sensors and other networked security devices. This software will become the validation reference for future security upgrades to US Air Force bases worldwide. Developed by a multi-agency standards body, this new interface standard will serve as the future basis for integrating physical security sensors on large military installations.

CEO Dean commented further, "ViaLogy has accomplished a lot in the last six months. QuantumRD is gaining acceptance among a diverse client set; we are achieving repeat business; and the technology is being applied to an increasing variety of formations. As we provide more drilling locations to clients, we believe we can achieve a 'drilling queue' that results in regularised drilling activity. On a number of the jobs we've done we are able to indicate not just correct drilling locations, but also why previous drilling efforts have resulted in dry holes-business losses that might have been avoided had QuantumRD been applied. We have our sights set on winning contracts in shale gas and offshore applications, and with a number of key reference customers. Business operations are being managed to budget, and we are on plan with respect to fiscal year revenue goals. At the same time, we face resource constraints that prevent us from moving as aggressively as we would like. We are a new company in the oilpatch with a new technology, and winning commercial acceptance in such a highly specialised and experienced business community needs to be earned. I believe we are well on our way."

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About ViaLogy: Network Centric Signal Processing

ViaLogy is a leading innovator of network-centric, real-time signal processing platforms for sensor applications. ViaLogy is currently deploying and designing computational systems, powered by its patented technologies, for applications in public safety and security, surveillance, defence and geoseismology. ViaLogy focuses on market driven problems where automation, timeliness, quality and reliability of information processing are essential. ViaLogy's core competency incorporates rapidly and accurately detecting weak signals buried in high noise background and clutter. This technology can be employed to solve problems involving sensor integration and information overload challenges involving video, telephony and control sensors, as well as for enhancement of numerous signal processing applications.

For more information, visit our website at www.ViaLogy.com.

About SAIC

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