

## United Oil & Gas Plc\*

## 28 February 2020

### Stock Data

Share Price:	2.7p
Market cap.:	£16.7m
Shares in issue:	619.2m
Fully diluted equity:	712.5m

### Company Profile

Sector:	Oil & Gas
Exchange:	AIM
Ticker:	UOG

### Activities

Oil and gas exploration, development and production company with existing assets in Egypt, UK, Italy and Jamaica. Management strategy is to expand the current portfolio with value accretive acquisitions focused primarily on stable international jurisdictions.

### Performance Data



Source: LSE

### Directors

Graham Martin:	Non-Exec. Chairman
Brian Larkin:	Chief Executive Officer
Jonathan Leather:	Chief Operating Officer
David Quirke:	Chief Financial Officer
Alberto Cattaruzza:	Non-Exec. Director

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\*Optiva Securities acts as joint broker to United Oil & Gas Plc

## Acquisition of Abu Sennan completed

**United has completed the acquisition of Rockhopper Egypt Pty Ltd from Rockhopper Exploration with an effective date from 1 January 2019. The deal includes a 22% non-operated interest in the Abu Sennan concession onshore Egypt where production was 7,900 bopd over the first half of February 2020, representing over 1,700 boepd net to United. We note that this current output amounts to a doubling of the production rate from the concession since the effective date of acquisition.**

As outlined in our detailed update from 10 December 2019, the acquisition consideration is US\$16m which has been funded by the issue of 114.5 million United shares at 3p per share to Rockhopper, a prepayment facility of US\$8.0m provided by BP and the issue of 150.6 million placing shares to new and existing investors and 8.4 million subscription shares at 3p to fund the balance.

Gross production from Abu Sennan has doubled since the effective date of the acquisition averaging over 7,900 boepd (1,738 boepd net to United) in early February following the successful completion of the ASH-2 well. ASH-2 tested at a maximum gross rate of 7,027 bopd at the end of 2019 and has been on stream at over 3,000 bopd since early January 2020.

United plans to participate in four fully-funded infill wells over 2020, the first of which, El Salmiya-5 was spudded on 3 February 2020. This is targeting multiple reservoirs in a previously undrained area of the El Salmiya field. The company also notes that construction of a gas pipeline on the Al Jahraa field is expected to be completed soon which is planned to bring a further 1,000 boepd (220 boepd net to United) of gas on stream.

United is now working with the operator, Kuwait Energy Egypt and the other JV partners to optimise production from the seven producing field within the concession and assessing the exploration potential within the Abu Sennan licence. The company has identified exploration upside within the deeper reservoirs over the 644 km<sup>2</sup> exploration area within the concession. In particular, the Alam El Bueib horizon, the reservoir targeted in ASH-2, represents a key target for subsequent exploration drilling activity which to date has delivered an 80% success rate across the concession.

Competent person, Gaffney Cline & Associates (GCA) attributed 12.12 mmboe of gross 2P reserves to Abu Sennan at 31 June 2019. However, these numbers pre-date recent drilling activity and a further 29.4 mmboe of gross unrisked prospective resources (6.46 mmboe net to United) have been identified by GCA providing significant potential upside to be targeted by continued exploration activity in 2020.

We note that the BP prepayment facility is based on a floor price of US\$60/bbl for c.6,600 barrels of crude per month for the next 30 months which provides an attractive hedge for a portion of production while oil prices are currently under pressure from coronavirus related market weakness.

**As outlined in our report dated 22 January 2020, we ascribed a valuation of United's interest in Abu Sennan of \$35m. This represents a per share valuation of 4.3p, demonstrating that the company's current market capitalisation is well covered by our valuation of Egypt alone. With cash flow expected to be augmented from initial cash production from the Selva field in Italy later in 2020 and further progress anticipated with regards to United's earlier stage assets, we believe that the company comfortably justifies our 10.4p valuation for the wider portfolio.**

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