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United Oil & Gas Plc*

7 December 2020

Stock Data

Share Price:	2.98p
Market cap.:	£18.6m
Shares in issue:	625.2m
Fully diluted equity:	732.4m

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.

Share price performance

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
Ms. Iman Hill:	Non-Exec. Director

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Walton Morant licence update

United has announced the results of an independent evaluation of prospective resources by Gaffney Cline & Associates (Gaffney Cline) covering the Walton Morant licence offshore Jamaica in which United holds a 100% interest. In summary, the licence is now estimated to hold gross unrisked mean prospective resources of over 2.4 billion barrels across a portfolio of 11 prospects and leads. Of particular interest is that the primary prospect on the acreage, Colibri has now been ascribed gross unrisked prospective resources of 406 mmbbls, representing an exciting 77% increase on the previous independent estimate.

Following Tullow's exit from Walton-Morant earlier this year, United was granted a 100% interest in the 24,400 km^2 licence in August 2020 coupled with an 18-month extension to the licence with a drill or drop decision required by 31 January 2022. As part of this agreement, United was mandated to conduct a low cost geotechnical work programme augmenting over US$30m of historical investment in the acreage.

The company made substantial progress on this programme, which included a reinterpretation of the Morant Basin. An update to the previous CPR was also commissioned as part of the programme and in addition to the drill-ready Colibri prospect, the new CPR now includes a review of the wider prospectivity of the licence amounting to an exciting portfolio of 11 prospects and leads in total. A summary of this portfolio can be seen on the table overleaf.

In summary, we note that the Walton Basin contains five prospects with combined unrisked mean gross prospective resources of 939 mmbbls. Within this, a new reservoir model for Colibri, the primary drill candidate on the licence, has led to a 77% uplift in mean prospective resources to 406 mmbbls for this target compared to the previous estimate of 229 mmbbls.

The CPR also includes the first independent review of the Morant Basin which has demonstrated a raft of large leads amounting to unrisked mean prospective resources of nearly 1.5 billion barrels. Although these leads currently carry a lower Chance of Geologic Success (Pg%) than the prospects within the Walton Basin, we believe the acreage contains significant exploration potential including the major Thunderball structure estimated to contain over 600 mmbbls of unrisked mean prospective resources.

Our current valuation of Walton-Morant is based on the drill-ready Colibri prospect and in view of the new resource estimate; we have increased our valuation of this target from 7.1p to 11.8p per share. It is important to note that our current metrics assume that United will hold an ultimate 50% interest (ideally carried over the cost of the exploration phase) following the anticipated introduction of one or more farm-in partners over the next 18 months. Given that the wider portfolio currently carries greater geological and commercial risk, we have not yet included the other 10 prospects and leads in our core valuation. However, using similar methodology to our assessment of Colibri but applying more conservative commercial risk factors, we believe that there could be at least a further 15.6p per share of risked upside from the rest of the Jamaican portfolio at this very early stage.

We note that the current share price is more than covered by our valuation of United's 22% interest in the Abu Sennan producing asset in Egypt which is currently performing strongly (see page 2 of this report). However, with the benefit of the new CPR data for Walton-Morant, we have increased our risked assessment for the primary Colibri prospect and our refreshed assessment of Walton-Morant increases our core valuation for United from 20.5p to 25.1p per share with the prospect of substantial further upside represented by the balance of the wider Jamaican portfolio of prospects and leads.

Walton-Morant prospect and lead inventory

Basin	Structure name	Status	Prospective resources U1	(mmbbls) U2	U3	Mean	Pg(%)
Walton	Colibri	Prospect	33.4	223	966	406	19%
	Oriole	Prospect	44.7	172	453	220	13%
	Streamertail	Prospect	35.6	160	480	221	13%
	Tody	Prospect	9.4	39.8	113	53.2	14%
	Euphonia	Prospect	6.5	28.8	81	38.3	14%
Morant	Thunderball	Lead	76.3	417	1,356	603	10%
	Moonraker	Lead	44.9	225	718	323	10%
	Moneypenny	Lead	30.8	128	370	173	10%
	Blofeld	Lead	29.9	129	361	171	8%
	Goldeneye	Lead	41.1	140	346	174	10%
	Jaws	Lead	6.7	28.3	82.4	38.5	8%

Source: Gaffney Cline & Associates

Company valuation summary

Licence	Country	Status	Valuation US$m	Valuation £m	Undiluted p
Abu Sennan	Egypt	Production/Development	34.4	26.9	4.3
Abu Sennan	Egypt	Prospective resources	20.6	16.1	2.6
Podere Gallina (Selva field)	Italy	Development	6.1	4.8	0.8
Podere Gallina	Italy	Contingent resources	1.3	1.0	0.2
Podere Gallina	Italy	Prospective resources	1.9	1.5	0.2
Walton-Morant	Jamaica	Exploration	94.5	73.9	11.8
P2366 (Crown)	UK	Appraisal	3.8	3.0	0.5
PL090 (Waddock Cross)	UK	Appraisal/Development	4.1	3.2	0.5
PL090 (Broadmayne)	UK	Exploration	3.1	2.4	0.4
UKCS 31st Licensing Round	UK	Exploration	6.5	5.1	0.8
UKCS 32nd Licensing Round	UK	Exploration	24.0	18.8	3.0
Overheads		Corporate	-1.0	-0.8	-0.1
Cash (debt)		Corporate	1.2	0.9	0.2
Options and warrants		Corporate	6.5	5.1	0.0
Core valuation			**207.1**	**162.1**	**25.1**

Source: Optiva estimates

Egyptian activities update

On 2 December 2020, United released an update on the Abu Sennan Licence in Egypt (UOG: 22% working interest). The company announced that it had contracted the EDC-50 rig in order to commence a drilling programme in 2021, starting with the ASH-3 development well. The campaign will be funded from operating cash flow and subject to EGPC approvals, the rig is expected to arrive on site before the end of the current year. Drilling is expected to commence with ASH-3 and operations are scheduled to take up to 60 days to drill and test the well.

ASH-3 will target the producing Alam El Bueib (AEB) reservoirs in an area of the ASH field updip of the ASH-2 production well, which came on-stream at the beginning of 2019. We note that ASH-2 has been a prolific well, having produced over 1 mmbbls of oil to date.

The ASH-3 well represents the first well of a wider drilling programme in 2021 and United expects that a second well will be an exploration well targeting the Abu Roash reservoirs in the 4-way dip-closed Prospect D structure in the north of the Abu Sennan licence, located close to the producing Al Jahraa field. Although exploration, United consider this a low risk well, located close to existing infrastructure and capable of being brought into production quickly.

Egyptian production

United notes that average production rates on the Abu Sennan Licence in H1 2020 up to 29 November 2020 were approximately 2,370 boepd net to United's 22% working interest. This represents a 20% increase on the average production recorded in H1 following United's entry into the licence at the end of February 2020. The company outlined that average H2 production for the full period is expected to exceed the previous guidance of 2,300 boepd net to United. This is in line with our current expectations for the licence where we have also assumed that gas production represents c.25% of licence output.

United will also benefit from the completion of the ASH-2 gas pipeline which is expected to be operational at the start of 2021. When completed, the pipeline will increase recovery rates and reduce the need to flare gas significantly, while also improving the environmental performance of the licence. United outlines that the ASH-2 pipeline has the potential to add up to 1,000 boepd of gross production to the licence.

Crown payment update

On 4 December 2020 United updated the market on the milestone payment receivable from Hibiscus Petroleum Berhad's indirect wholly-owned subsidiary, Anasuria Hibiscus UK Limited in regard to the purchase of Licence P2366, Blocks 15/18d and 15/19b, which include the Crown discovery.

By way of background, Anasuria Hibiscus completed the acquisition of 100% interest in the above named blocks from United (formerly 95% interest) and Swift Exploration Limited (formerly 5% interest) for a total cash consideration of up to US$5.0m on 19 December 2019. This fee was to be paid based on a series of planning milestones and production targets. An initial payment of US$1.0m was received by United and Swift from Anasuria Hibiscus on completion in December 2019.

A further payment of US$3.0m (US$2.85m to United) is due to be paid within seven days of the actual date of approval of the Marigold Field Development Plan (FDP), which includes the development of the Crown discovery as part of the overall Marigold development (FDP Approval), by the UK Oil and Gas Authority (OGA). This approval was expected to be received by the end of 2020.

Anasuria Hibiscus is currently in the latter stages of drafting the final FDP and has been in pre-submission discussions with the regulator to ensure the development plan meets the regulator’s requirements. As a consequence of delays, which relate predominantly to the impact of the Covid-19 restrictions, United has been informed by Anasuria Hibiscus that although the FDP will be submitted on time by the end of December 2020, the project Final Investment Decision (FID), which triggers OGA approval of the FDP, is currently expected to be around the end of March 2021.

As a result of this modest delay, and following recent discussions with Anasuria Hibiscus, the US$2.85m payment to United is now expected to be in Q2 2021 following OGA approval of the FDP. In the event that FDP approval is not achieved, Anasuria Hibiscus may, at its discretion, proceed with the full US$3.0m payment or transfer the licence back to United and Swift Exploration without any further payment obligations.

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