

United Oil & Gas Plc*

24 May 2018

BUY

Stock Data

Share Price:	4.85p
Market cap.:	£14.1m
Shares in issue:	291.1m
Fully diluted equity:	328.3m

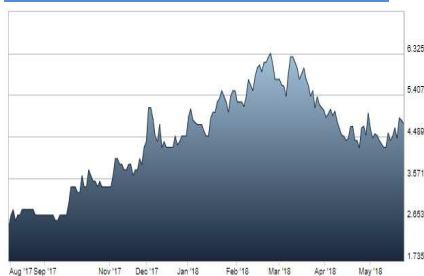
Company Profile

Sector:	Oil & Gas
Exchange:	LSE Standard List
Ticker:	UOG

Activities

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

Performance Data



Directors

Brian Larkin:	Chief Executive Officer
Jonathan Leather:	Chief Operating Officer
Alberto Cattaruzza:	Non-Exec. Director

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

Provisional award of UKCS Blocks

United Oil & Gas has been provisionally awarded a 95% interest in Blocks 15/18d and 15/19b located in the Central North Sea as part of the UK 30th Licensing Round. These licences contain multiple hydrocarbon targets. However, of primary interest is the Crown oil discovery which could contain recoverable reserves of up to 16 mmbbls of oil.

As part of United's ongoing strategy to build a balanced portfolio of commercial discoveries, near term appraisal projects and high impact exploration assets, the company has been awarded a 95% interest in Blocks 15/18d and 15/19b located in the UK Central North Sea.

These licences, which cover an area of approximately 13.6 km², contain several interesting oil and gas targets of which the most exciting is the Crown oil discovery on Block 15/19b. The Crown discovery was made by well 15/19-9 drilled by ConocoPhillips in 1998 and United's internal estimates suggest a range of recoverable volumes for Crown of 4-16 mmbbls with a mid-case estimate of approximately 9 mmbbls.

The blocks were applied for in conjunction with private oil and gas exploration company, Swift Exploration Ltd and are located close to the Piper, MaCulloch and Dumbarton/Donan oil fields.

We understand that there were a number of competing bids for the acreage. However, United was awarded the blocks on the basis of a work programme focused on seismic reprocessing in order to reduce the uncertainty of the estimated oil volumes and also to optimise the location of a future development well. We estimate that the initial costs for this work will be modest for United and unlikely to exceed £150,000.

We believe that upon discovery in 1998, Crown would have been considered too small for development. However, with significant advances in technology in the intervening period, we believe that Crown could be suitable for a single horizontal well development and a subsea completion tied back to an existing platform, the closest of which is located less than 12km away.

At this stage, it is difficult to ascribe an appropriate valuation to Crown given the early stage status of any potential work programmes relating to the asset. In particular, we would expect the company to seek potential joint venture partners ahead of any drilling activity and this would reduce United's ultimate working interest significantly.

Nevertheless, on a gross basis, we believe that a single well development and subsequent subsea tie back to local infrastructure for a 9.0 mmbbls accumulation could be worth up to \$111m on a gross basis. Naturally, we would expect that United would ultimately hold a smaller equity interest which would also be subject to a funding requirement even in the event of a partial carry. However, it is clear that even a residual percentage interest in a development project as described represents a very sizable asset to the company.

Since our last publication on 26 April 2017, we have elected to include a conservatively risked initial valuation for United's Jamaican exploration assets in anticipation of fast-tracked seismic data expected to be published in July. As such, our core valuation for the shares is increased from 13.5p to 15.7p per share on a fully diluted basis. Although this does not yet include any value related to the acquisition of Crown, United is currently exposed to very exciting upside from its suite of UK assets including the expected drilling of Colter in Q4. Consequently, we will endeavour to augment our core valuation upon additional substantive news flow over the coming months.

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