

United Oil & Gas Plc*

6 September 2021

Stock Data

Share Price:	3.33p
Market cap.:	£21.5m
Shares in issue:	644.8m
Fully diluted equity:	776.7m

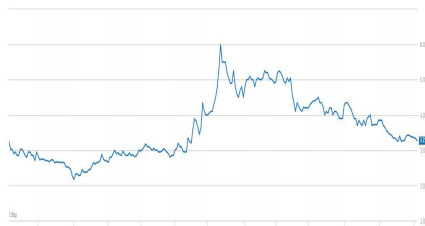
Company Profile

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
Tom Hickey:	Non-Exec. Director
Ms. Iman Hill:	Non-Exec. Director

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

Egypt operational update

United's share of production from the seven producing fields that comprise the Abu Sennan licence in Egypt (UOG: 22%) averaged 2,730 boepd in H1 2021. However, since early July 2021, the water cut (proportion of water to oil produced) has increased on the three producing wells on the ASH field. In particular, the water cut on ASH-2 has increased at a faster rate than anticipated and production from the field has decreased. As such, United has revised its full year guidance for the whole Abu Sennan licence from 2,500-2,700 boepd to 2,100-2,300 boepd. It is important to note that the other six fields on the licence remain unaffected and are producing in line with expectations.

The ASH field has three producing wells and has produced over 3 million barrels of oil since it came on stream and since the success of the ASH-2 and ASH-3 development wells in 2020 and 2021 respectively, the ASH field represents c.60% of total production on Abu Sennan. However, the water cut on all three wells on the ASH field and in particular, ASH-2 has increased at a faster rate than expected accompanied by an associated decline in hydrocarbon production.

The JV partners have already performed several operations to investigate options for controlling the water cut, thereby stabilising production. These include looking at the effect of different choke sizes, shutting in various perforated intervals within the field and running production logging tests. The partners are still in the early stages of monitoring well performance since the initial interventions took place and are currently considering additional remedial options to stabilise the production decline.

As outlined above, the other six fields on Abu Sennan are completely ring-fenced from ASH and remain unaffected by status of the ASH field. United stated that its working interest share of production from Abu Sennan was 1,817 boepd on 4 September 2021 and the company's revised guidance is now 2,100-2,300 boepd for the full year. This implies that Abu Sennan licence production is likely to be in the range of 1,500-1,900 boepd over the course of H2 2021.

Given that the ASH field represented 36% of oil reserves on the Abu Sennan licence at the end of 2020, the JV partners are currently assessing the impact that the current status of the ASH field may have on reserves and resources. With remedial work yet to be completed, the company outlines that an independent reserves report will be completed at the end of December 2021 and published with the full year results as in previous years.

It is important to note that exploration drilling activity on Abu Sennan remains unimpeded and the ASX-1X well, which spudded on 14 August 2021 is making strong progress with the primary reservoir target expected to be reached within the next two weeks. ASX-1X is located near the recent ASD-1X discovery and as a result of a successful drilling programme in 2021 to date, the JV now expects to add an additional development well to the current programme. United is adequately resourced and will fund its share of development drilling from existing cash.

While this is disappointing news for the company, United is working with its partners to identify and implement a working long term solution for ASH field production. On the basis of the production guidance outlined, our valuation of United's interest in Abu Sennan (including exploration upside) and excluding the company's assets outside Egypt, is reduced from 7.3p to 6.7p per share. We remain confident that remedial action on ASH will serve to mitigate excessive production declines from the field and we highlight that our tempered assessment of United's Egyptian assets still represents a significant uplift on the current share price.

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