



ANALYTICAL REPORT

5th December 2013

Independent Oil & Gas

Portfolio Review

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NOTE - This report is based on meetings and conversations plus scout information and some speculation. Accordingly, while every care is taken in the preparation of these reports, no investment decisions should be taken based on their content. Potential investors should make their own independent investigations and assessments before doing so. Information is strictly confidential and neither the source nor the content should be divulged to third parties.

HIGHLIGHTS

- Plans to develop the Blythe and Skipper Discoveries
- Adjacent exploration/appraisal acreage
- AIM listing

INTRODUCTION

Independent Oil & Gas plc (IOG) was established in February 2011 and subsequently combined the UK assets of MOST Inc. and Ebor Energy Inc. CEO Mark Routh is the former MD of CH4 Energy. The company is based in London and floated on AIM in October 2013, raising £2 million. Its current market capitalisation is c. £15 million.

IOG owns 50% of the Blythe gas discovery in the Southern North Sea and 50% of the Skipper heavy oil discovery in the Northern North Sea, both licences being operated by ATP. In addition, in the 27th Round it was awarded a 100% licence adjacent to Skipper and has just been awarded a 100% Licence adjacent to Blythe following the completion of an environmental review.

UK PORTFOLIO

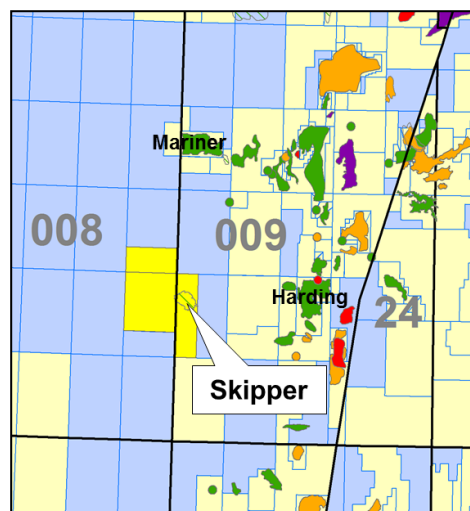
Northern North Sea

Blocks 8/20a, 25a: were a 27th Round Promote Licence award.

Block 8/25a contains the **Skipper SW and Skipper NW Prospects** with estimated heavy oil resource potential of **24 and 4 mmbbls**, respectively, in the Palaeocene. Both are seen as potential tie-backs to a development of the Skipper Discovery in the block to the east, with drilling subject to the success of a planned appraisal well on Skipper.

Partners: IOG 100% (non-core)

Block 9/21a: was a 25th Round Traditional Licence award to ATP and MOST with **a firm commitment to drill a well** to 1,700m or 50m below the Maureen Formation, whichever is the shallower, on the Skipper Prospect. IOG assumed MOST's interest in October 2011. In September 2013 it was announced that DECC has confirmed an extension of the Licence until 31 December 2013, with a further extension expected once the sale of operator ATP UK has concluded and development plans and timings have been confirmed.



The Block contains the Well 9/21-2 **Skipper Discovery**, drilled by Unocal in 1990, which encountered a 51ft oil column in a 70ft sandstone section within the upper part of the Palaeocene Beaulieu Formation, an oil sample of estimated **15.6° API gravity** being obtained. Estimated 2C resources are **26 mmbbls**.

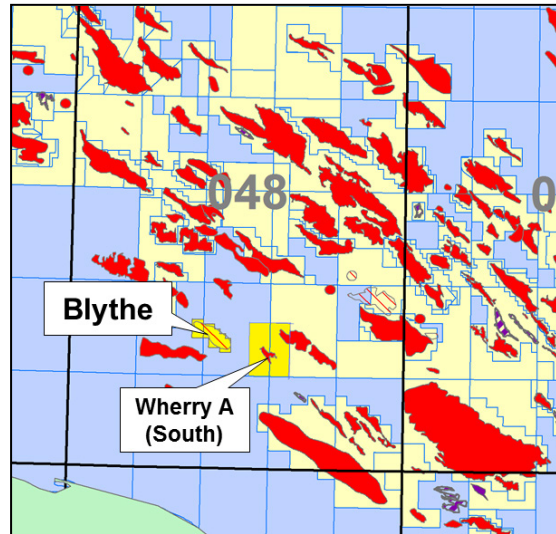
It is hoped to drill and test an appraisal well in Q3 2014 which will also evaluate deeper potential within the Dornoch and Maureen sandstones. Contingent upon appraisal success, an FDP could be submitted in Q1 2015, leading to **first oil in Q2 2017**. The development concept involves the use of either a platform or an FPSO vessel, with 11 production and two water injection wells providing peak production of 16,000 bopd. Export, for which an offtake agreement is already in place with BP, would be by shuttle tanker via an FSU. The development would benefit from the Heavy Oil Field tax allowance.

Partners: ATP* 50% (core); IOG 50% (core)

Southern North Sea

Blocks 48/22b, 23a: were a 25th Round Traditional Licence award to ATP and Ebor. IOG assumed Ebor's interest in October 2011. In September 2013 it was announced that DECC has confirmed an extension of the Licence until 31 December 2013, with a further extension expected once the sale of operator ATP UK has concluded and development plans and timings have been confirmed.

The Blocks contain the Well 44/22-1 **Blythe Discovery**, drilled by Burmah in 1966, which tested a tight Rotliegendes Sandstone interval at a maximum rate of 0.9 mmscfpd. The Zechstein Hauptdolomite was also hydrocarbon-bearing and flowed gas at 4 mmscfpd and oil at 2,030 bopd, declining to 1,200 bopd after acid stimulation. In 1967 Burmah drilled Well 48/22-2, 800m to the northwest, just outside structural closure. In 1987 Arco drilled Well 48/23-3 to evaluate the eastern flank, testing the Rotliegendes at 15.2 mmscfpd, the Zechstein at 1,086 bopd and some Namurian (possibly Millstone Grit) intervals at c. 1.2 mmscfpd. Arco followed this in 1990 with crestal horizontal Well 48/23a-4 to establish deliverability. However, although a horizontal section of c. 1,750ft was completed, the flow rates achieved were less than from the vertical well, the result being ascribed to the generation of a sump in the heel of the Well that was not adequately cleaned-up. Estimated 2P reserves in the Rotliegendes are **c. 34 bcf** with prospective gas in-place in the Carboniferous of 70-310 bcf.



It is intended to submit an FDP in H1 2014 for a development involving a small unmanned platform and a single tri-lateral horizontal well, with export via a 2 km pipeline to LAPS. **First gas is targeted for mid-2015.** The development would benefit from the Small Field tax allowance.

Partners: ATP* 50% (core); IOG 50% (core)

Blocks 48/23c, 24b: have been awarded as a 27th Round Promote Licence following the conclusion of an environmental review.

The Blocks lie to the east of the Blythe Discovery and contain the Well 48/23-2 **Wherry A (South) Discovery**, drilled by Arco in 1984, with estimated reserves of **22 bcf** in tight Rotliegendes sandstones.

Partners: IOG 100% (non-core)

HW COMMENTARY

IOG's immediate future will be highly dependent upon the operator of the Blythe and Skipper Discoveries, and on 26 November 2013 it was announced that current operator ATP UK is to be acquired by Alpha Petroleum (UK) Holdings Limited, an apparently newly-formed subsidiary of private equity fund Petroleum Equity LLP, with no operating expertise. It was also announced, however, that Alpha intends to retain the ATP UK management team "in support of the existing business plan relating to its existing assets including Blythe and Skipper" and that the proposed transaction structure will allow the retention of ATP's North Sea operator status. The deal is expected to complete in Q1 2014, with DECC supportive of further extensions to the Blythe and Skipper 25th Round licences.

IOG is proposing aggressive programmes for both Blythe and Skipper, involving the submission of an FDP for the former and the drilling of an appraisal well on the latter, both in 2014. This is presumably in line with Alpha's planned strategy and funding capacity, which also have to encompass ATP UK's 100% Cheviot development. We note that previous plans for Skipper, prior to the financial problems of

ATP UK's parent company, involved the drilling of an appraisal well in April 2013 using a rig contracted for the subsequently delayed Cheviot development drilling programme.

IOG applied successfully for exploration and appraisal acreage adjacent to Blythe and Skipper in the 27th Round on a 100% basis. It may be assumed that this individual action on the part of IOG was due to ATP UK's situation, and that Alpha will eventually be joining them on the licences as operator. Both areas involve considerable tie-back potential, with that adjacent to Blythe containing an existing discovery.

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APPENDIX**Portfolio Listing**

Block	Equity	Licence	Round	Core Status	Op	Field	Discovery
008/20a	100	P1941	27	Non-Core	*		
008/25a	100	P1941	27	Non-Core	*		
009/21a	50	P1609	25	Core			Skipper
048/22b	50	P1736	25	Core			Blythe
048/23a	50	P1736	25	Core			
048/23c	100	P2085	27	Non-Core	*		Wherry A (South)
048/24b	100	P2085	27	Non-Core	*		



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