



June 25, 2014

## **Independent Oil & Gas has two-year line of sight to first gas from Blythe**

Nine months after it listed on AIM and Independent Oil & Gas plc is preparing to make its first appearance at an oilbarrel.com conference, to be held in London on July 2nd. The start-up's strategy of taking a low cost, smart approach to tie stranded or fallow assets into nearby infrastructure may sound familiar to many delegates as it is one that, in previous years, was so successfully deployed by oilbarrel.com favourites Venture Production, Dana Petroleum and CH4 Energy.



*Accessing the UKCS*

The team leading the AIM newcomer know how to execute this strategy. IOG was founded in 2011 and brings together seasoned oil executives with a proven track record of delivering returns to shareholders. CEO Mark Routh, for example, was the founder and MD of private-equity backed CH4 Energy, which was formed with £1 million in funding in 2002 and four years later was sold to Venture Production for £154.4 million.

Chief operating officer Richard Jameson has 30 years in the business working for Hess, Petro Canada and Foster Wheeler while non-executive director Marie-Louise Clayton was the former group finance director at Venture Production, a FTSE 250 oil and gas company which grew rapidly from IPO in 1997 delivering 40% compound growth in its last 5 years before being sold to Centrica in 2008. Now the team is hoping this strategy will deliver again.

The company is already tee-ing up its first development project, the Blythe gas field, in which it has a 50 per cent stake. The discovery lies in the Southern North Sea with independently verified gross 2P reserves of 34.3 BCF (that's 17.2 BCF net to IOG). The aim is to submit a field development plan by Q4 with a view for first gas in mid-2016. The company has signed a gas offtake agreement with BP.

This is shaping up to be a material project as IOG has stitched together a licence package that now includes Blythe with net 2P reserves of 17.2 BCF, a new licence to the east, which adds 42 BCF of prospective net resources, as well as the pending acquisition of the nearby Cronx gas discovery, where there's another 17.6 BCF of contingent net resources. IOG anticipates drilling a pilot well to test Cronx in Q4 2014, subject to rig availability, at a cost of £6.25m: this well should complete the acquisition as it will confirm IOG as an exploration operation on the UKCS.

The AIM Company also has oil in the portfolio in the shape of a 50 per cent stake in the Skipper oil discovery in the Northern North Sea, where there are net 2C resources of 13 million barrels and a wider Skipper hub 2C number of 46 million barrels. An appraisal well is planned to retrieve core and oil samples in order to design the optimum field development plan as well as testing two exploration targets directly beneath Skipper: this is expected to drill in Q2/Q3 2015.

There have been some wobbles in the past year as its partner and operator of the Blythe and Skipper licences, ATP Oil & Gas, was under bankruptcy protection in the US. The cash-strapped company has now been acquired by private equity firm Petroleum Equity LLP and renamed Alpha Petroleum Resources Ltd and, importantly, is now fully funded for the development and appraisal activity on Blythe and Skipper.

For IOG the finances were looking a little tight – the company ended 2013 with cash of £1.12 million – but earlier this month it entered a loan and equity swap with Darwin Strategic to provide immediate working capital of £517,500.

It is also in the process of a closing a US\$50 million senior loan facility with a large US lender to part fund Blythe and possibly further acquisitions. Further ahead, additional funding will be required and the company is looking at both corporate and asset level options.

With meaty stakes in its licences, there is certainly scope to seal industry deals to access funding for development and activity as it moves ahead to first gas from Blythe in 2016.

Investors keen to know more about this wanna-be Venture Production, which already has a two-year line of sight to maiden production, would do well to book a seat at Oilbarrel.com's conference on July 2.