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IOG PLC
02 May 2023

2 May 2023

IOG plc

Corporate and Operational Update

IOG plc ("IOG", or "the Company"), (AIM: IOG.L) provides a corporate and operational update ahead of its Annual General Meeting which is being held at 10.00am this morning. An accompanying presentation is available at the IOG website and can be accessed via this link: https://bit.ly/3LuKbPW

Highlights

- Blythe H1 producing steadily at 17 mmscf/d gross rate, averaging 14.9 mmscf/d year to date
    - 95.4% Operating Efficiency and 86.4% Production Efficiency
- Steady progress towards resolution of Blythe H2 drilling issues highlighted on 18 April
    - Targeted onstream by end of Q2, then expected to build up to 30-40 mmscf/d
    - Additional cost impact net to IOG estimated to be £2-3 million
- Central Cluster: additional conventional gas resources and several new prospects identified on P2589 licence (32nd Round) following interpretation of reprocessed 3D seismic
- Southern Cluster: advanced planning for Kelham North/Central appraisal well
- Northern Cluster: farm-out process launched for up to 50% of Goddard with joint venture partner
- Interviews with regulator on nine 33rd Round SNS licence applications due later this month
    - If successful, these would add valuable discovered resources to each cluster
- Cash balance of £31.9m at end of April, of which £6.8m was restricted
- Carefully assessing forward capital allocation and evaluating balance sheet options

Rupert Newall, CEO, commented:

"While Blythe H1 continues to produce steadily through our co-owned infrastructure, our team have worked closely with Petrofac and Shelf to handle the complex well control challenge on H2 safely and professionally. After coming onstream, H2 production is expected to reach an initial peak 30-40 mmscf/d, enhancing our cash flow. Meanwhile, we continue to carefully manage costs, optimise the portfolio and evaluate future investment options alongside our joint venture partner.

In that context, we continue to enhance the portfolio via our low-cost strategy of licensing rounds and 3D seismic reinterpretation. For example, we have identified valuable further undeveloped discovered conventional gas resources and exploration upside on our 32nd Round P2589 licence, part of the Central Cluster and within short tie-back distance to the Southwark platform. Additionally, our nine 33rd Round licence applications are also progressing, potentially adding discovered resources to all four of our production clusters."

Dougie Scott, COO, commented:

"The gas/oil kick encountered from the Hauptdolomit has now been controlled without needing to sidetrack, despite three challenging complications: significant associated drilling fluid losses, a stuck drill string and a plugged drillpipe. The 8½" hole section has now been drilled to a revised depth above the reservoir, where the 7" liner will be run and cemented to isolate the overpressure. This will enable the well to continue to the reservoir in the planned 6" hole size."

Production: Blythe H1 well

- The current gross unconstrained H1 production rate is approximately 17 mmscf/d
- Over 2023 year to date, average gross production has been 14.9 mmscf/d, factoring in liquid letdowns

alongside other Bacton gas streams and planned H2-related shutdowns
- Operating Efficiency year to date has been 95.4% and Production Efficiency 86.4%[1]
- Safe hook-up and commissioning of the H2 well is expected to require 3-5 days of planned downtime in both May and June respectively

Drilling: Blythe H2 well

- Substantial progress made in resolving the well control challenge in the Hauptdolomit formation above the reservoir highlighted on 18 April, limiting the likelihood of needing a sidetrack
- The situation has been uniquely challenging given the confluence of abnormal formation pressure with an influx of hydrocarbons, drilling fluid losses, the bottom-hole assembly becoming stuck and drill string being plugged
- However, close collaboration between key IOG personnel and the Petrofac and Shelf Drilling teams has enabled the latter two issues to be resolved, materially improving the situation
- Two cement plugs as well as specialist Lost Circulation Materials have been deployed, significantly mitigating the drilling losses
- The 8½" hole section has been drilled to a revised depth and 7" liner will be run and cemented to isolate this section, enabling continuation of drilling into the reservoir as planned
- On that basis, the well is targeted onstream by the end of Q2, at an estimated additional cost impact of £2-3 million net to IOG
  - The initial well cost estimate was £13 million net to IOG, including associated platform modifications, before any potential tax shelter or investment allowances
- In a success case, H2 would deliver several key benefits:
  - Gas production rates initially expected at 30-40 mmscf/d after a ramp-up a period of displacing liquids in the Saturn Banks Pipeline System
  - Lower aqueous liquid arrivals into Bacton, reducing associated operating costs
  - Increase in ultimate recovery of Blythe gas reserves

Central Cluster (P1915, P2342, P130, P039, P2589)

- The Central Cluster entails potential development of at least five contiguous licences in the broader Vulcan and Jupiter areas of the SNS
- This includes the Southwark, Nailsworth, Elland and Grafton fields plus several clearly identified potential additions containing both conventional and tight gas resources
- The P2589 Grafton licence, acquired in the 32nd UK Offshore Licensing Round, has undergone 3D seismic reprocessing to Pre-Stack Depth Migration (PSDM)
- Interpretation of this data has identified two structures containing undeveloped conventional gas within the Europa field, which IOG has renamed Kinnegar
  - Produced by ConocoPhillips over 2000-16, Kinnegar lies approximately 13km north-east of Southwark and directly south of Grafton
  - These structures initially appear to be of commercial size; further analysis is underway to establish an estimated contingent resource range
  - Several further exploration targets also identified between Southwark and Kinnegar
- The Southwark platform would be the key gathering infrastructure for the Central Cluster, providing the conduit to the 24" Saturn Banks Pipeline System into Bacton
- A technical working group including third-party experts is progressing a deep-dive assessment of the potential deliverability of the Southwark A1 and A2 wells, as well as the future Nailsworth and Elland wells
- If successful, the JV's 33rd Round licence applications would add highly synergistic further discovered gas resources to the Central Cluster

Southern Cluster (P2442)

- Planning is well advanced for drilling of the Kelham North/Central appraisal well in continuation from Blythe H2, subject to final JV approval
- The appraisal well is intended to prove up a high-return, fast-payback Southern Cluster potentially including Kelham North, Kelham Central, Abbeydale, Orrell (which lies partly on block), Thornbridge and Thornbridge Deep, plus potential 33rd Round additions
- The gross success case appraisal well cost is estimated at £14-18 million (£7-9 million net to IOG) before

any tax shelter or investment allowance

  - Benefits from attractively priced extension option on the Shelf Drilling Perseverance rig

- The current licence term expires on 31 March 2024, following a six-month extension

Northern Cluster (P2438)

- The joint venture (JV) of IOG and CalEnergy Resources (UK) Limited (CER) has initiated a farm-out process to bring in an additional partner for, in aggregate, an up to 50% working interest of the P2438 Licence (up to 25% each)
- Goddard is one of the largest undeveloped SNS gas discoveries (gross 2C: 115 billion cubic feet), with several potential export routes including the Saturn Banks infrastructure
- Advanced planning is underway to drill the Goddard appraisal well in continuation from Kelham North/Central, at an estimated gross cost of £14-18 million, before any tax shelter
- The well would enhance the commerciality of Goddard by confirming reservoir quality and deliverability, defining the gas-water contact and obtaining pressure data
- Goddard is intended to be the core field in a Northern Cluster potentially including two adjacent Goddard Flank structures and the Southsea prospect, plus potential 33rd Round additions
- The current licence term expires on 31 March 2024, following a six-month extension

Corporate

- The Company held £31.9m in cash at the end of April, of which £6.8m was restricted
- Given the current lack of Southwark production, management continues to carefully control costs, assess all future capital allocation and evaluate options to optimise the balance sheet

[1] Operating Efficiency factors in unplanned downtime and Production Efficiency factors in both planned and unplanned downtime.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

Enquiries:

IOG plc Rupert Newall (CEO) Dougie Scott (COO) James Chance (Head of Capital Markets & ESG)	+44 (0) 20 7036 1400
finnCap Ltd Christopher Raggett / Simon Hicks	+44 (0) 20 7220 0500
Peel Hunt LLP Richard Crichton / David McKeown	+44 (0) 20 7418 8900
Vigo Consulting Patrick d'Ancona / Finlay Thomson	+44 (0) 20 7390 0230

About IOG:

IOG is a UK developer and producer of indigenous offshore gas. The Company began producing gas in March 2022 via its offshore and onshore Saturn Banks production infrastructure. In addition to its production assets, IOG operates several UK Southern North Sea licences containing gas discoveries and prospects which, subject to future investment decisions, may be commercialised through the Saturn Banks infrastructure. All its assets are co-owned 50:50 with its joint venture partner CalEnergy Resources (UK) Limited. Further details of its portfolio can be found at www.iog.co.uk.

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