

Magnolia Petroleum PLC

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UPDATE: Magnolia Petroleum raises £1.5mln to fund more wells in US

---Adds broker comments---

Magnolia Petroleum (LON:MAGP) has raised £1.5mln to fund the acquisition of more leases on its acreage in North Dakota and Oklahoma.

The oil company placed 60mln shares at 2.5p, with the directors taking up 1.2mln and other investors the remainder.

Magnolia said it is reviewing a number of well proposals across its 13,500 net mineral acres in proven US onshore plays, including the prolific Bakken/Three Forks Sanish formations in North Dakota, as well as the liquids rich Mississippi Lime and Woodford/Hunton reservoirs in Oklahoma.

Rita Whittington, Magnolia's chief operating officer, said, "As today's successful placing shows, we are not alone in recognising the potential to generate significant value by drilling wells with established operators on our acreage in proven US onshore formations.

"Our recent Competent Person's Report showed a 422% increase in the value of our 3P reserves to US\$94mln and a sixteen-fold increase in net production to 122.5 boepd, highlighting the considerable progress made during Magnolia's first year on AIM.

"The increase in reserves covered less than half of our net acreage and, with a portfolio of over 600 potential drilling locations on our leases combined with the numerous drilling proposals we continue to receive, we expect a similar step-up in production and reserves in our second full year on AIM."

City broker Northland Capital says the placing creates only minor dilution, given its size and modest discount.

Analyst Andrew McGeary, in a note, McGeary said the successful placing demonstrates the institution support for the company, which he says is delivering on its objectives.

"These successes have also allowed Magnolia to recycle capital and increase the size of its working interests in new wells," he said.

"We expect a step change this year as the company exploits new acreage and benefits from the higher working interests."

Northland also highlighted a number of significant upcoming catalysts for the near term. These include results from two important wells – the wholly owned Roger Swartz well, and the 5% owned Helgeson well.

Share Information

Code: MAGP

Listing: AIM

Sector: Energy

Website: www.magnoliapetroleum.com

Company Synopsis:

Magnolia Petroleum plc is an AIM listed oil and gas production company focused on the acquisition, exploitation and development of oil and gas properties primarily located onshore in the United States.

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