

Solo Oil PLC

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Solo Oil poised for value creation in Tanzania after dealing out of Horse Hill

When Tanzania-focused Solo Oil PLC (LON:SOLO) agreed in 2014 to invest £600,000 into a small well programme located in the vicinity of London's Gatwick airport, it seemed a curious move.

Since then the Horse Hill project has grown in stature, profile and value. Now, the timing of Solo's deal to sell its stake in the project for £ 4.5mln is also somewhat curious.

A pivotal well testing programme is presently underway at the Horse Hill site and has seen initial success. A couple more test phases are scheduled and should run for a few more months.

READ: Solo Oil advances on deal with UKOG for Horse Hill exit

The aim is to validate the project's commercial potential with longer term and more substantial production data - it will also generate some cash along the way - and it is expected to be a prelude to new well drilling ahead of production potentially starting at some point next year.

Evidently, there are opportunities for value creation at Horse Hill in the coming months.

That's likely the reason Solo's new management team agreed to immediately use the 4.5mln sale proceeds to buy shares in UKOG, giving it a 4% interest in the company.

Significantly, it is probably still a matter of time before Solo cashes out entirely - either partially or completely - by selling UKOG shares. Solo's recently promoted managing director Dan Maling said as much after Thursday's announcement.

In a video interview with Proactive Investors, via the Stocktube studios, Maling said the UKOG shares would be "held for sale", but, in due course will be used to monetise and support other parts of the Solo Oil portfolio.

A key outcome of Thursday's deal is that Solo will more easily be able to sell tranches of UKOG shares across London's AIM market than it would've been to dispose of project equity - not least there are plenty of buyers of UKOG shares in the market, whereas UKOG is seemingly the single most probable acquirer/consolidator of the Horse Hill asset.

Exactly, when and how Solo disposes of its UKOG stake remains to be seen though shareholder attention will have to remain on activities at Horse Hill and the ongoing well tests, for at least the short term.

Tanzania has been the prized asset

While Horse Hill has undoubtedly added value to Solo, it would be fair to say that the group's primary asset is in

Price: 0.6

Market Cap: £3.79 m

1 Year Share Price Graph



April 2019 July 2019 April 2020

Share Information

Code: SOLO

Listing: AIM

52 week High Low
2.55 0.3

Sector: Oil & Gas

Website: www.solooil.co.uk

Company Synopsis:

Solo's Investing Policy is to acquire a diverse global portfolio of direct and indirect interests in exploration, development and production oil and gas assets, with an on-shore focus in politically stable countries.

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Tanzania. One highlight came in July with confirmation of a new partnership in the Ruvuma production sharing agreement.

The Zubair Corporation, an Oman industrial conglomerate, signed a binding deal to acquire a 50% interest in the PSA from project operator Aminex.

It will leave Aminex with 25% of the asset, which includes the Ntorya gas project, meanwhile, Solo also retains 25%.

In early August, Solo announced a funding of up to £3.6mIn - via the sale of shares - as it makes preparations for a step up in operational activity in Tanzania.

Zubair plans to conduct a minimum work programme including the establishment of an early production system for Ntorya, targeting a minimum gross rate of 40mIn cubic feet of gas per day (MMcf/d) which amounts to 6,700 barrels equivalent.

It will also drill, complete and test a new well, Chikumbi-1 which will be a follow-up to the successful wells of at Ntorya. The well will be located up-dip from both the Ntorya-1 and Ntorya-2 wells.

The well is expected to delineate the Ntorya gas field in a significantly thicker section of the reservoir system and is also intended to evaluate a deeper exploration target.

Success is expected to lead to production into the existing Madimba gas processing plant, before being integrated into a wider field development.

A tendering process is now underway to hire a rig for the CH-1 programme.

The partners will additionally acquire, process and interpret 3D seismic data within the Ntorya project area.

Elsewhere, in Tanzania, Aminex is advancing operations at the Kiliwani North field where a remediation programme recently began to tackle rising pressure in the well.

The work will initially see the company repair a faulty valve which will allow gas to flow and will also enable the evaluation of operational parameters of both the reservoir and gas processing facility. It is expected to complete in the fourth quarter and, thereafter, it is expected that the well will be returned to full-time production.

The partners will take the opportunity to perforate a deeper and previously untested, potentially gas-bearing section.

It is expected to complete in the fourth quarter and, thereafter, it is expected that the well will be returned to full-time production.

Additionally, Aminex told investors that it has identified prospective areas within the Kiliwani North and Nyuni Area concessions which will be the subject of new seismic data acquisition, with plans to acquire some 275 kilometres of 3D seismic.

The aim is to identify undrained compartments of the Kiliwani North structure and to high-grade the Kiliwani South prospect to 'drill-ready' status.

Management changes

In July, it was announced that Solo's executive chairman Neil Ritson would retire before the end of 2018 as part of a board restructuring designed to ready the company for the future.

Ritson, who was a director of the oil and gas group since 2010, has offered to stay on as chief executive pending the appointment of a new non-executive chairman and thereafter as a technical advisor, as and when required.

Dan Maling was promoted from his role as finance director to managing director, meanwhile, Alastair Ferguson was recently named the successor to Ritson.

WATCH: Alastair Ferguson outlines his vision for Solo Oil
Ferguson started as non-executive director in July before taking the reins from Ritson in early August.

Last month, in an interview, Ferguson said: "I think Solo is significantly undervalued given its portfolio of assets - by many standards the company has had a considerable amount of exploration success which we now need to build on by monetising the assets and thereby realising value for shareholders."

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