



21 April 2010

52-wk Range: 3.15-7p      Market Cap (M): £55.8  
Target Price: £0.09      EV (M): £55.8

## Oil & Gas

## La-106 might have found sweet spot

### Summary

Victoria is an independent oil and gas exploration and production company with projects in Africa and the FSU. The Company's principal assets are 60% of the Logbaba gas and condensate project in Cameroon and 100% of the West Medvezhye gas field in Siberia, Russia.



### Key Metrics

Shares Outstanding (M): 1427.8  
Current Price (GBP): 3.91p

### Event

Victoria Oil & Gas announced the results of La-106, the second well at the Logbaba gas and condensate project in Doula, Cameroon. The well successfully reached a total measured depth of 10,509ft on 17th April 2010 and is currently being logged prior to its completion as a development well. The well was drilled deeper than planned due to the better than expected sand quality in the Lower Logbaba sections. Multiple gas-bearing sands were encountered between 5,482ft and 10,400ft, which can be correlated to wells drilled in the 1950's. The data obtained indicates in excess of 300ft of gross pay. Further detailed information on La-106 will be announced after running open-hole logs and completing the petrophysical evaluation. Well flow tests will be run after the casing is set. The completion of La-106 means that the key licence and joint venture requirements have been met. The Company has now completed all significant commitments under the exploration licence agreement and is in the process of submitting the necessary documentation to the Cameroon government to be awarded the thirty five year exploitation licence. Conceptual engineering for the gas production facilities at Logbaba and the pipeline to previously identified industrial customers has now been completed and has confirmed the feasibility of the project and its design assumptions. Detailed engineering, budget and schedule definition is underway with the target to deliver first gas to customers in Q4 2010. The Company is working closely with all Ministries and stakeholders in Cameroon to ensure that plant and pipeline construction meets the highest engineering and safety standards and that all permits and licences to operate are expedited.

### Comment

This excellent result follows La-105, VOG's first well in Cameroon, completed in March 2010 and tested at rates in excess of 55mcf/d of natural gas and 1,000b/d of condensate from depths of 7,005 8,500ft from Lower Logbaba and Upper Logbaba D sands. La-106 was slightly redesigned following the results of a passive seismic survey over the field that indicated potentially better pay to the West of the original intended target. We need to wait for the logging results but it seems that La-106 has indeed found a larger and better reservoir section than in any of previous wells drilled on the field, although initially La-105 was also indicated at around 300ft of net pay; however La-106 has intersected another deeper reservoir section with better sand quality which needs to be assessed.

This is a massive success in its own right but also provides increased confidence in the potential of the whole licence which features an even larger passive seismic anomaly few kilometres to the North of Logbaba. We are also looking forward for an update to the third-party assessment of reserves that RPS should carry out soon and that will include the results of La-105 and La-106. The Company is now applying for a 35-year exploitation licence and this process should be fairly straightforward, given the support enjoyed by the Logbaba project from the authorities in Cameroon.

### Recommendation

The Company is well on track to deliver first gas on time in Q4 2010. The stock has been weak of late but we remain Buyers with a 9p price target.

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### Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

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Research disclosure as of 21 April 2010

Company Name	Disclosure
Victoria Oil & Gas (VOG)	1, 7, 8

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	23.03.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.58
Circle Oil	COP LN Equity	BUY	25.03.10	£0.80	£0.38
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.48
Enegi Oil	ENEG LN Equity	HOLD	17.12.09	£0.10	£0.13
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.53
Gulf Keystone	GKP LN Equity	BUY	15.03.10	£2.00	£0.82
Gulfsands Petroleum	GPX LN Equity	HOLD	23.03.10	£3.00	£3.30
Matra Petroleum	MTA LN Equity	BUY	26.01.10	£0.11	£0.05
Max Petroleum	MXP LN Equity	BUY	24.03.10	£0.50	£0.20
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.115
Po Valley	PVE AU Equity	BUY	16.10.09	A\$3.00	A\$0.785
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
Rockhopper Exploration	RKH LN Equity	HOLD	01.02.10	£1.10	£0.50
San Leon Energy	SLE LN Equity	NA	NA	NA	£0.21
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.32
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.01
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.04

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