



4 May 2010

52-wk Range:	£1.61-3.46	Market Cap (M):	£357.0
12-month target:	£3.00	EV (M):	£323.9

Oil & Gas

Much ado about nothing

Summary

Gulfsands Petroleum Plc is an independent oil and gas exploration and production company focussed on the Middle East. It has oil exploration and development projects in the Syrian Arab Republic. Gulfsands also produces oil and gas from a portfolio of properties in the USA, offshore Gulf of Mexico.

Event

On 23 March 2010, Oil India Limited ("OIL") and Indian Oil Corporation Limited ("IOC") announced that they had approached the Board of Gulfsands with an indicative offer proposal at 315p per Gulfsands share which included a request that the Board of Gulfsands permit OIL and IOC to conduct a focused due diligence exercise with a view to making a formal offer in due course.

Since the Board of Gulfsands has not engaged with OIL, IOC or their advisers in a due diligence exercise, OIL and IOC announce that they do not intend to make an offer to acquire the entire issued share capital of Gulfsands.

Comment

It has always been our view that the 315p offer fairly valued Gulfsands and that 400p level announced by the Board of Gulfsands at the onset was unlikely to be met by potential bidders. The Indian consortium has therefore shown a commendable discipline in their strategic intent and we can only agree with the course of action they have taken.

This is likely to take the froth off investor's appetite for consolidation stories but does not put into question value driven M&A in the sector.

Recommendation

We continue to see fair value at 300p and maintain a Hold rating.



Key Metrics

Shares Outstanding (M):	121.0
Current Price (GBP):	£2.95

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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 04 May 2010

Company Name	Disclosure
Gulfsands Petroleum	7

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Fox-Davies Capital Coverage

Fox-Davies corporate client & coverage universe as of 04 May 2010

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	22.04.10	£0.20	£0.05
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.50
Circle Oil	COP LN Equity	BUY	25.03.10	£0.80	£0.38
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.41
Enegi Oil	ENEG LN Equity	HOLD	17.12.09	£0.10	£0.15
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.43
Gulf Keystone	GKP LN Equity	BUY	15.03.10	£2.00	£0.77
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.95
Hardy Oil & Gas	HDY LN Equity	BUY	26.04.10	£3.00	£2.00
Matra Petroleum	MTA LN Equity	BUY	26.01.10	£0.11	£0.05
Max Petroleum	MXP LN Equity	BUY	24.03.10	£0.50	£0.19
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.11
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.38
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
Rockhopper Exploration	RKH LN Equity	HOLD	01.02.10	£1.10	£0.39
San Leon Energy	SLE LN Equity	NA	NA	NA	£0.22
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.20
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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