

Canadian Overseas Petroleum Limited

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Game-changing US deal will transform Canadian Overseas Petroleum into a producer

This is a game-changing acquisition which will materially reposition COPL as a production company with assets that have a long-term lifecycle and rapid production opportunity.

Arthur Millholland, chief executive

What it owns

An opportunistic deal to acquire private US oil and gas company Atomic Oil & Gas LLC is set to transform Canadian Overseas Petroleum Limited's (LON:COPL) into a producer, with a meaningful and valuable operation.

Atomic brings producing assets in the US state of Wyoming, the Barron Flats Shannon Unit (57.7% owned by Atomic) and Cole Creek Unit (66.7% owned by Atomic).

Elsewhere, the company's asset portfolio has been focussed on Nigeria.

The company affiliate ShoreCan owns its interest in the OPL 226 licence, offshore Nigeria.

An agreement in June saw ShoreCan transfer 70% of its stake in Essar Nigeria to Essar Mauritius in return for an end to the legal action brought by the Indian conglomerate.

Essar Nigeria's sole asset is a 100% interest and operatorship of OPL 226, which lies 50 kilometres offshore in the central area of the Niger Delta.

Through the agreement, Essar Mauritius will grant Shorecan a 10% carried interest (capped at US\$5mln net) on all costs relating to the drilling of a first appraisal well at OPL 226.

This is an option to increase this stake to 30%.

Essar Nigeria will also now seek an extension of the production sharing contract for OPL 226 beyond the current term that ends on September 30.

In October, COPL said that the deadline date for completion of the settlement had been extended to until January 29, 2021, due to COVID-19 disruption and restrictions.

Historically, five wells have been drilled, with the first oil discovery on the Block made in 2001 in the fifth well (Noa-1) after earlier drilling encountered predominantly gas-bearing sands.

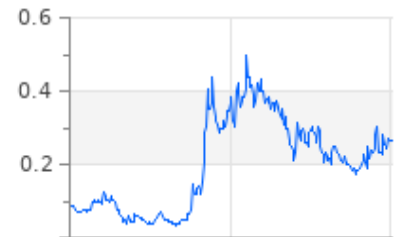
How It's doing

Through the Atomic transaction the company will pick up Barron Flats which produces around 1,400 barrels per day

Price: 0.2625

Market Cap: £25.35 m

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: COPL

Listing: LSE

52 week High Low
0.599 0.031

Sector: Oil & Gas

Website: www.canoverseas.com

Company Synopsis:

Canadian Overseas Petroleum Limited is a junior oil and gas company focused in Sub-Saharan African. The company is headquartered in Calgary, Canada. Our shares trade on the London Stock Exchange ("COPL") and on the Canadian Securities Exchange ("XOP"). Our team of highly skilled geologists and engineers have years of experience in the UK basin, West Africa, and a variety of regions throughout the globe.

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(bpd), up from 200 bpd in 2017, and is forecast to reach a plateau rate of 5,000 bpd gross by 2022.

The Cole Creek asset, meanwhile, is forecast to have a 3,500 bpd plateau by 2026.

Significantly, the fields are at the front end of what's expected to be a 40+ year operating life.

"Oil production assets of this quality, having an incline curve rather than a decline curve, are rarely available for purchase," Arthur Millholland said.

"Circumstances surrounding the Covid-19 situation created this favourable opportunity for COPL.

"With this acquisition, in addition to the substantial upside potential already present in our Nigerian offshore project, the company is now strategically well placed to deliver enhanced value and returns to shareholders."

The Atomic transaction has a reported deal value of US\$54mIn - comprising a US\$1mIn deposit, US\$26mIn of assumed debt, US\$23mIn of debt and cash payments, plus US\$4mIn in shares.

Previously, for the Nigerian project, COPL's share price was boosted following a settlement in principle with partner Essar in their dispute over OPL 226, and the company will now be carried on an appraisal well.

The company has also refinanced itself through two placings to raise £1.2mIn in addition to a US\$2mIn equity funding facility.

Interview

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