



6 January 2010

52-wk Range: 2.5-7p  
Target Price: £0.08

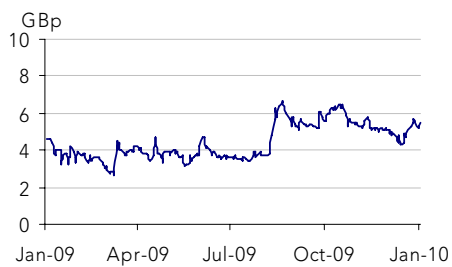
Market Cap (M): £54.4  
EV (M): £54.2

## Oil & Gas

## La-105 is looking good

### 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): 988.1  
Current Price (GBP): 5.5p

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### Event

Victoria Oil & Gas ("VOG") announced an update on its Logbaba gas and condensate project in Douala, Cameroon. Well La-105 reached a total depth of 8,920ft on 1 January 2010 and the well is currently being logged prior to its completion as a development well. Multiple gas-bearing sands were encountered at virgin pressures at depths between 6,017-8,330ft, which can be correlated to those found and tested in the nearby well La-103. Well La-103 flowed at rates from 5-12mmcf/d from individual sands when drilled in 1956. The data obtained whilst drilling showed in excess of 300ft of gross pay and also indicated the presence of over-pressured shale gas in a significant interval. After logging, a 7" liner will be run to isolate the sands for future testing and production.

### Comment

La-105 has reached TD about two months later than expected, due to mainly teething problems encountered while drilling and that also resulted in a more cautious operational approach adopted by the Company. We believe it was essential for VOG to carry out the drilling of this well successfully rather than on time, despite the additional costs; having done so is a notable achievement.

The 300ft of gross pay is significantly higher than the 90ft mentioned in a previous announcement of 16 November when the well had reached around 6,000ft. We are convinced that modern logging and testing techniques will unravel more reservoir/seal pairs than tested by Elf in the 1950s, which might push reserves estimates upward, or at least narrow the range towards the high estimate, and provide additional development options. The Company also mentions a possible shale gas play in the press release, which could also provide additional upside; however without additional data it is, at this stage, too tentative to contemplate, in our view.

Overall these results are very positive for the Company and de-risk the Logbaba project beyond our initial assumptions (FDC 12 August 2009). Therefore we are increasing our probability of success from 75% to 90% resulting in an increase in our risked NAV calculation which is somewhat compensated by a higher number of shares from additional share placings in the interim.

The Company is now weighing options on how best to carry out the testing programme between La-105 and soon to be drilled La-106. The latter is to be spudded as soon as possible after logging and possibly some testing of La-105, and we anticipate it could happen in 2-3 weeks from now. We also believe a third-party reserves update will also be carried out as soon as feasible, i.e. before or after La-106 depending on the data required and available.

### Recommendation

We continue to be positive on the stock and are raising the price target from 7p to 8p, while maintaining the Buy rating.

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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 06 January 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	06.11.09	£0.20	£0.05
Circle Oil	COP LN Equity	BUY	10.12.09	£0.72	£0.31
Eneji Oil	ENEG LN Equity	HOLD	17.12.09	£0.10	£0.10
Gulf Keystone	GKP LN Equity	BUY	23.11.09	£2.00	£0.97
Matra Petroleum	MTA LN Equity	BUY	16.10.09	£0.11	£0.04
Max Petroleum	MXP LN Equity	BUY	13.11.09	£0.50	£0.21
Po Valley	PVE AU Equity	BUY	16.10.09	A\$3.00	A\$1.695
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
San Leon Energy	SLE LN Equity	NA	NA	NA	£0.20
Tower Resources	TRP LN Equity	HOLD	17.06.09	£0.03	£0.04
Victoria Oil & Gas	VOG LN Equity	BUY	06.01.09	£0.08	£0.06

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