

30 April 2008



IRVINE ENERGY - Buy - Exploration well spudded. (Richard Griffith)

IRVINE ENERGY (IVE.L) - BUY - PRICE/TARGET : 3p/8p

EXPLORATION WELL SPUDED

EVO TAKE - Starts an interesting exploration campaign that it also an important step in the development of the company.

DETAILS - Irvine has just spudded the first of a 4-well programme based on the Rock 3D programme (well Rock -1-5, drilling estimated at 14 days), targeting oil from the Arbuckle and Mississippian formation at 3-3500ft. This will be the first of four wells to be drilled on the Rock 3D acreage. Three other prospects will be drilled in succession following drilling of the Rock 1-5. All four wells will be targeting high quality oil from the Arbuckle and Mississippian formations at a depth of 3,000-3,500 feet.

VALUATION AND RECOMMENDATION - We assess the 3P reserve base NPV (10) valuation giving a modest core value of around 2p/share (\$21m). Assuming a full drawing down of the \$50m mezz finance facility (in negotiation), and risking the contingent resource at 25%, results in a core plus risked EMV of 8p/share (previously 7p/share). However, it should be stressed that the unrisksed resource potential is over 40p/share, so the potential prize is large, and in our view easily achievable through drilling. In addition there is a large acreage base yet to be evaluated including the areas outside the existing 3D, the Chattanooga shale in Kansas, Coal Bed Methane in Oklahoma and deeper zones in the Niobrara project area. The reserves report, start of production and start of an interesting exploration drilling programme are important steps in the development of Irvine. Confirmation of the mezz finance will allow the company to accelerate the exploration drilling and development programme, and we expect the "baseline" of reserves and resources established by the current report to rise substantially over the coming 12-18 months

- SUBJECT TO REVISION ON TODAY'S NEWS -

IRVINE ENERGY (3p)			YR TO DEC
GBPm	FY06A	FY07E	FY08E
Sales	0.0	0.0	4.1
EVO PBT	-0.2	-1.1	-0.3
EPS	-0.1p	-0.2p	0.0p
P/E	-	-	-
Yield	-	-	-
EV/EBITDA	-	-	8.9x
FCF Yield	-	-	-

MKT CAP	NET CASH	GEARING
GBP 19m	-2m	9%

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Sales	Sales Continued	Sales Trading
Keith Hiscock - 020 7071 4342	Donald Waterman - 020 7071 4680	John Bennett - 020 7071 4403
Paul Miskin - 020 7071 4401	Mark Harris - 020 7071 4678	Nick Brown - 020 7071 4338
Chris McVey - 020 7071 4461	Melanie Miller-Thomas - 020 7071 4677	Matt Gracey - 020 7071 4344
Ella Morris - 020 7071 4426	David Goode - 020 7071 4687	Damian Sparke - 020 7071 4694
Jody Downes - 020 7071 4686	Philip Kerr - 020 7071 4691	Matt Turner - 020 7071 4422
Jean-Marc Garzon - 020 7071 4354	Fergus Macroft - 020 7071 4682	Simon Cuthbert - 020 7071 4353
Andrew Small - 020 7071 4688		

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