24 January 2012

EnQuest acquires a further 25% of the Kraken discovery

EnQuest PLC ('EnQuest') today announces that it has agreed with Nautical Petroleum plc ('Nautical') to acquire a 25% interest in the Kraken oil discovery, together with interests in surrounding exploration acreage. This agreement, by which EnQuest will also become the operator of the proposed development of Kraken, is subject to the normal regulatory and partner consents.

EnQuest will pay Nautical between $150 million and $240 million, by way of a development carry arrangement in relation to Nautical's remaining interest in Kraken. EnQuest's cash payments will be deferred and EnQuest will be entitled to receive the capital tax allowances normally available for investment in such a development project. EnQuest will acquire a 25% interest in blocks 9/2b and 9/2c, including the Kraken discovery, for which Nautical estimates a gross contingent resource of 160 MMboe. The amount payable by EnQuest is dependent on a future determination of the gross 2P reserves in Kraken, which will take place sometime after the start of the Field Development Plan drilling phase. If the determination is less than 100 MMboe, EnQuest will only pay $150 million, by way of development carry. If the determination is less than 166 MMboe, but more than 100 MMboe, then the amount of the development carry will be increased by up to a further $90 million, calculated on a linear pro-rata basis. EnQuest will pay the maximum of $240 million if the future determination of gross 2P reserves is greater than 166 MMboe.

EnQuest will also acquire surrounding exploration acreage, with a 15% interest in blocks 3/22a and 3/26 and a 10% interest in blocks 9/6a and 9/7b. The transaction further provides EnQuest with the option to earn a 45% farm-in interest in block 9/1a, in return for paying up to 90% of the gross cost of drilling up to two wells to appraise the Ketos discovery. EnQuest's liability to carry Nautical's costs for the first well is capped at 45% of $15 million gross well cost and, for the second well which is contingent on the success of the first well, capped at 45% of $20 million gross well cost. Ketos has the potential to be tied back to the Kraken field.

Amjad Bseisu, Chief Executive of EnQuest, said:
"EnQuest is very pleased to be able to increase its interest in Kraken and to become the future operator of the proposed development. Based on the operator's estimates, this 25% interest in Kraken provides 40 MMboe of contingent resources, which when combined with the 32 MMboe of contingent resources from the 20% interest that EnQuest acquired earlier this month from Canamens, adds almost 70% to EnQuest's end 2010 contingent resources. The purchase cost per contingent barrel is $6/bbl before tax effects and approximately $2.40/bbl post tax effects. This latest transaction also gives us further potential upside from the surrounding exploration opportunities and an agreed farm-in to the Ketos discovery which we will jointly appraise with Nautical.

With EnQuest's integrated project development capabilities, our execution team will take the project forward and lead the development, subject to approval of the Field Development Plan. With Nautical's background and deep expertise in this project, EnQuest is keen to combine forces and to jointly move forward what we believe to be one of the most exciting development projects in the UK North Sea."

Further information:
Kraken is a large heavy oil accumulation in the UK North Sea, located in the East Shetland basin, to the west of the North Viking Graben. It is being progressed to development following successful appraisal and well test results. Kraken Field Development Plan ('FDP') approval is anticipated in H2 2012. The remaining 30% interest in Kraken is held by First Oil.

Subject to partner agreement, operatorship of Kraken will transfer to EnQuest no later than the date of the FDP submission for Kraken. Prior to this transfer, a joint project team will be formed to ensure joint control and facilitate transfer arrangements.

EnQuest anticipates being able to fund its share (including the carry) of the development with its own resources.

Following this transaction EnQuest will have a 45% interest in blocks 9/2b, 9/2c, 9/6a and 9/7b, and a 55% interest in blocks 3/22a and 3/26. In addition EnQuest will have a 45% interest in block 9/1a, subject to exercising the option to farm-in.

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Conference Call

A conference call will be held for investors and analysts at 11:30 AM London time, on the following dial in numbers:

Telephone Numbers:	+44 (0)20 7136 2051	UK Local
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Notes to editors
EnQuest is the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. It is a constituent of the FTSE 250 index and OMX Nordix index. Its assets include the Thistle, Deveron, Heather, Broom, West Don and Don Southwest producing fields and the Alma and Galia development. At the end of the first half of 2011, EnQuest had interests in 20 production licences covering 25 blocks or part blocks in the UKCS, of which 18 licences are operated by EnQuest.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low-risk region, which continues to benefit from an extensive installed infrastructure base and skilled labour. EnQuest believes that its assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities.

Forward looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.