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**Parkmead Group (PMG.L)\***

**Price: 230p / PT: 380p (n/c)**

**Buy (n/c)**

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- Our View: Ithaca Energy announced its Q1 2014 results in which it stated “The Athena co-venturers have awarded a contract to Diamond Offshore Drilling (UK) Limited for use of the Ocean Princess semi-submersible rig for the planned “P4” workover to replace the ESP package in the well. The rig is anticipated on location in the third quarter of the year, once it has completed its scheduled work programmes for prior clients.” We believe that fixing the P4 well will be a material catalyst.
- As a reminder, Parkmead holds 30% of the Athena field. In our target price we have assumed that the P4 well will produce at a rate of 1,800 bbls/d (gross) once the ESP package is replaced. This was the rate at which the well was producing when the ESP failed. However, reservoir pressure increased considerably in the period prior to the ESP failure, which suggests to us that the well may be able to produce at a materially higher rate. We are excited that the balance of risks favours outperformance relative to the assumptions in our target price.
- We reiterate our Buy recommendation for Parkmead and our 380p/share target price. The current price allows investors to acquire stock in what we believe is Europe’s pre-eminent junior oil and gas company, based on its management team and assets, at a considerable discount to the company’s fair value.

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