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BUSINESS

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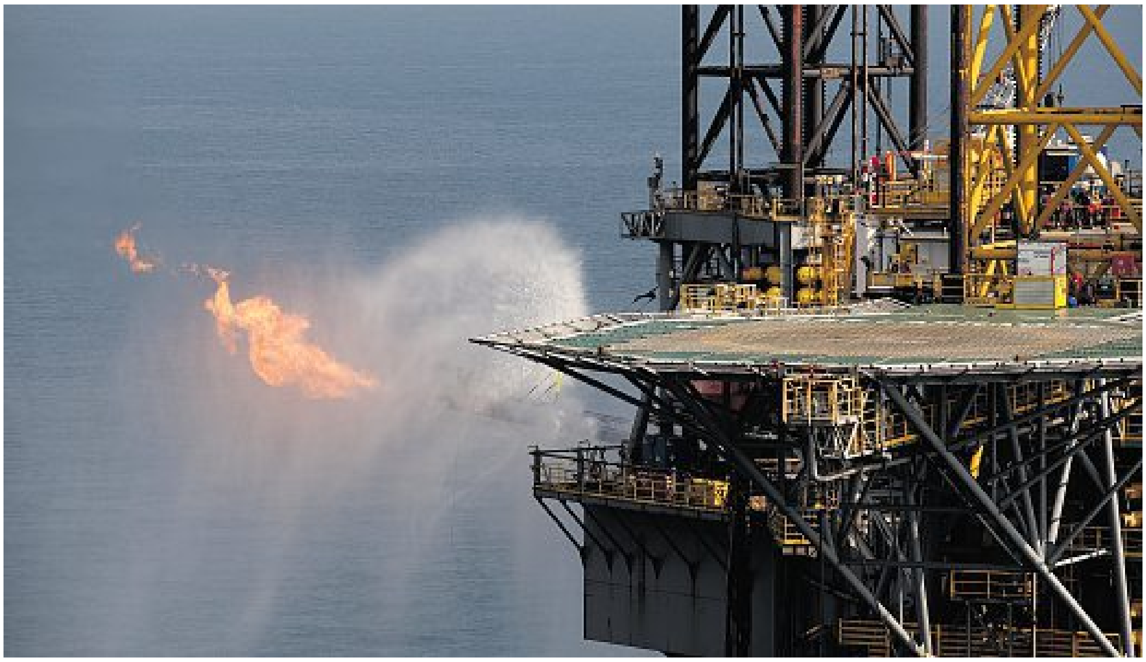
Parkmead blazes ahead in slump

Offshore: Founder claims low energy prices to benefit his firm through reduced costs

BY ERIKKA ASKELAND



HOT TOPIC: Parkmead recently secured three stakes in the North Sea and is eyeing up whether to link to nearby operators

Chairman Tom Cross

A bullish Tom Cross said low oil and gas prices provided a "win-win" situation for his firm Parkmead as the independent oil and gas explorer confirmed its recent North Sea licence wins.

The founder of Parkmead said "we know exactly what we are doing" with its stakes in the new licences, two of which are west of Shetland and one on the southern North Sea gas basin.

Mr Cross said it was "slightly too early" to indicate if the company would link to facilities of existing major operators west of Shetland.

But he highlighted their proximity and similarities to BP-operated Foinaven, Schiehallion and Loyal oil fields, and also Total's Laggan and Tormore gas discoveries. The blocks are also adjacent to the firm's prospects in the area.

"We have already got the prospects mapped out," said Mr Cross.

"We are looking at the timing of doing it. We have worked with Total and BP in the past. If we can put additional oil and gas through their facilities it is good for them too."

He added that Parkmead's management team – which is largely the same as that which led Dana Petroleum – understood both regions "extremely well".

"We have had discoveries in these areas in the past, we have brought fields on stream in the case of the gas basin, both as Dana Petroleum and Parkmead," he said.

Parkmead's management previously built Dana Petroleum, which was sold to the Korea National Oil Corporation a £1.7billion deal in 2010.

In May Parkmead raised £13.4million in a share placing with institutional investors that Mr Cross said was oversubscribed.

At the same time, the firm said it had renegotiated its contract with BW Offshore, the provider and operator of an FPSO that produces a significant chunk of the firm's revenues from the Athena field in the Moray Firth.

"That has turned that into profit even at a low oil price," said Mr Cross.

Following the placing, Mr Cross said the company has £38million in the bank and a debt-free balance sheet, while pressing ahead with developments in Moray and the Netherlands. "If oil price stays low we can benefit from being able to drill at very low cost," he said.

"Some of the wells we budgeted last year have halved in cost because of the squeeze in costs in the service sector.

"It is win-win for us – we can progress our businesses in this low oil price environment. At the same time when the oil price picks up we can take advantage of that too."

Parkmead was awarded the licences covering three offshore blocks in the UK's 28th Licensing Round announced last week as part of the second tranche of awards. Parkmead also won six licences covering nine offshore blocks in the first tranche of awards in November.

BG Group and ExxonMobil suffer poor Q2 results

ENERGY

Profits slipped at BG Group in the second quarter despite oil and gas production reaching record levels.

And ExxonMobil brought down the curtain on a gloomy week for the industry, recording its worst quarterly performance in six years against the backdrop of the oil price downturn.

BG, which is being taken over by Shell in a £45billion deal, produced 703,000 barrels a day during the quarter, up 19% year-on-year.

The increase was spurred by BG's ventures in Brazil and Australia, where output rose by more than half during the three months.

In the UK, the company pumped out 102,000 barrels, down 8.9% against Q2 last year, but up 32% on the first quarter of 2015.

BG chief executive Helge Lund said several UK North Sea fields that were under repair had returned to action in the three months ended June 30, leading to the jump in quarter-by-quarter production.

Mr Lund, who took over in February, just weeks before the Shell takeover was announced, said production from the Knarr FPSO in the Norwegian North Sea went up, as well.

The production surge has convinced BG, the UK's third-biggest oil company, to lift its full-year output forecast to "the upper half" of its previous range of 650,000 to 690,000 barrels per day.

Mr Lund acknowledged that the upstream business had "felt pressure from lower commodity prices", however.

Brent crude was priced at just over $60 per barrel in the second quarter, 42% lower than in 2014.

Revenues at BG, the UK's third-biggest oil company, fell 25% in the first half to £5.1billion, and by 28% in the second quarter to £2.5billion.

> **"This reflects our actions to stabilise and de-risk the business "**

The group recorded earnings of £635million during the six months, a 58% slump year-on-year, while second quarter income slipped further by 65% to £275million.

BG chief financial officer Simon Lowth said upstream put in a "resilient" performance across the asset base and that the firm had kept a pretty tight lid on costs while continuing to manage efficiency.

Mr Lund said the performance reflected BG "actions to stabilise and de-risk the business", adding that the management team is still determined to deliver on its full-year targets.

Shell has secured regulatory approval from Brazil, South Korea and the US to proceed with the takeover, but is yet to be given the go-ahead by Australia, China and the EU.

Yesterday, Shell chief executive Ben van Beurden, said the deal would act as a "springboard" to transforming the Anglo-Dutch giant into a simpler and more profitable company.

He warned, however, that Shell will "take a very good look" at some of its older, more expensive North Sea assets as part of its plans for a £19billion sell-off over two years.

Earlier this week, Shell announced plans to cut 6,500 employees from its global workforce, while Centrica said it would axe 6,000 jobs over five years.

The value of BG shares had risen 0.88% to £10.89 on the London stock exchange by noon yesterday.

At US energy major ExxonMobil, net income plunged to £2.7billion in the second quarter from £5.6billion a year earlier due to low oil prices.