Parkmead hails Dutch success and North Sea expansion

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Parkmead Group Plc (LON:PMG) chairman Tom Cross says it has been an excellent year, despite the challenges of the low oil price environment.

The North Sea growth company today confirmed it remained cash flow positive since January, on an operating basis, whilst highlighting expansions to the portfolio and progress for key field development programmes.

Notably Parkmead had increased its interests in the Polecat and Marten fields, and separately increased their holdings in the Perth and Dolphin fields.

Perth and Dolphin are said to be core to Parkmead’s planned Perth-Dolphin-Lowlander or PDL oil hub project – a fully appraised project with some 80mln barrels of recoverable oil reserves – whereas Polecat and Marten are significant because they are close enough to PDL that they could also be developed.

On the exploration front, Parkmead secured access to the high impact potential of the Sanda North and Sanda South prospects located in the West of Shetland region of the North Sea. These potentially large projects have been estimated to have 280mln barrels of recoverable oil.

The group's gas production, from operations the Netherlands, increased more than six-fold during the year ended June 30 amid the start-up of the Diever West field via a fast-track development over fourteen months.

Parkmead says its Dutch gas production has continuously outperformed expectations, averaging 34 million cubic feet per day in June (that is 5,850 barrels oil equivalent per day). The cost of production is approximately US$14 per boe.

"Parkmead discovered and brought onstream a new gas field at Diever West, in the Netherlands, within just 14 months," Tom Cross said in the results statement.

"This field is delivering profitable gas production and important additional cash flow to the group."

He added: "Parkmead is well positioned to take advantage of the ongoing lower oil price environment, and the opportunities that are arising from this.

"The group will continue to build upon the inherent value in its existing interests with a licensing and acquisition-led growth strategy, securing opportunities that maximise long-term value for our shareholders."

Parkmead reported revenue of £10.4mln for the twelve months ended June 30, down from £18.6mln in the preceding year as a result of lower oil prices and the shut-in of the Athena field in January. The company reported a £6.69mln loss for the year, compared to a £31.36mln loss in 2015.

It had £28.3mln of cash at the end of June, with total assets reported at £87.5mln.

Brendan Long, analyst at stockbroker WH Ireland, in a note said the group's interim results reflect its 'defensive positioning'.

"The company remains exceptionally well positioned to capture opportunities as strength returns to the oil & gas sector."

WH Ireland rates Parkmead as a 'buy' with a 196p price target that suggests nearly 240% upside to the current price of 58p per share.

Jamie Ashcroft