investors CHRONICLE

November 19 2019

Parkmead in bargain basement territory

Simon Thompson

Parkmead (PMG:42p), a small-cap oil and gas exploration and development company, led by 19 per cent shareholder, Tom Cross, the founder and former chief executive of Dana Petroleum, until its sale to the Korea National Oil Corporation in 2010, has delivered a bumper set of annual results.

Buoyed by a 13 per cent increase in production at the Diever West gasfield in the Netherlands (7.5 per cent working interest) which forms part of the company's low-cost onshore gas portfolio that has an average operating cost of just $11.90 (£9.22) per barrel of oil equivalent, Parkmead increased cash flow from operations by more than half to £4.7m to deliver an eye-catching operating profit of £5.1m on revenue of £8.2m. The strong cash-flow performance and cash proceeds from the realisation of its stake in Faroe Petroleum meant that net cash swelled from £23.8m to £30.6m (28p a share).

Importantly, Parkmead has made solid progress on commercialising its portfolio of 30 exploration and production blocks in the North Sea. These have a combined book value of £34m (31p a share), accounting for half the company's net asset value of £68m. In particular, Parkmead holds a 15 per cent equity interest in the Platypus field in the UK Southern North Sea. It was discovered in 2010, successfully appraised with a horizontal well in 2012, and has been flow tested at a rate of 27m cubic feet of gas per day (approximately 4,600 barrels of oil per day on an equivalent basis). Parkmead's co-venturers are CalEnergy Gas, Zennor

Petroleum and Dana Petroleum, the latter being operator and 59 per cent stakeholder.

A Field Development Plan (FDP) draft and Environmental Statement have now been submitted to the UK's Oil & Gas Authority (OGA). The selected development concept is a subsea tie-back to the Cleeton platform located 15 miles away, thus significantly reducing initial capital expenditure and field operating cost. Platypus is expected to produce 47m cubic feet of gas per day at peak production, according to operator estimates, and have a field life of 20 years, based on a mid case technical recoverable reserve estimate of 106bn cubic feet (Bcf). In addition, the neighbouring Platypus East field provides significant upside to the Platypus project, potentially adding 50 Bcf of reserves with a geological probability of success of 73 per cent.

Commercialisation of Parkmead's licences covering the Perth and Dolphin fields in the Moray Firth area, which contain large oil fields including Piper, Claymore and Tartan, has potential to transform prospects, too. Perth and Dolphin are two substantial Upper Jurassic Claymore sandstone accumulations that have tested 32°-38° API oil at production rates of up to 6,000 barrels of oil per day (bopd) per well. Parkmead remains in commercial discussions with the Scott field partnership, led by China National Offshore Oil Corporation, to explore a sub-sea tie-back via the Scott platform located six miles away from Parkmead's Greater Perth Area (GPA) oil hub.