

# Point Loma Resources

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## Mackie says Point Loma Resources' initial production rate from Wizard Lake is excellent, repeats Buy rating

Mackie Research has repeated a Buy rating on Point Loma Resources Ltd (CVE:PLX) shares, with analysts "encouraged" by the initial production rate of the Rex discovery well from the Alberta-focused oiler.

This week, Point Loma revealed it was eyeing higher netbacks and cashflow as it updated on operations at Wizard Lake, where the 16-17-48-27W4 Rex oil well had been producing for ten days and current output is estimated at 275 barrels of oil per day (gross), 192 bpod (net).

**READ:** Point Loma Resources eyes further increases in production as initial output from Wizard Lake comes onstream

"Oil rates continue to increase as the pump speed is optimized and the well continues to clean up. We view this early result as an excellent initial production rate. Analog wells typically reach peak rates after two to three months after first production and we expect PLX's Rex well could achieve a peak rate of 500 bbl/d," wrote analyst Bill Newman in a note.

Moreover, Point Loma's partner at Wizard Lake, Salt Bush, has agreed to a two-well farm-in to fund drilling and setup costs, with the first delineation well to be spudded before August 15 this year.

In all, around C\$5 million could be spent on the two well farm-out at no cost to Point Loma.

Newman notes that a fully funded two well delineation program could boost production and cash flow before year-end.

If the first well is successful, Point Loma would receive 25% of the revenues until payout and 50% thereafter. Salt Bush has an option to drill a second extended reach horizontal well with a minimum lateral length of 1,800 metres. If that is a success, PLX will receive 25% of the revenues until payout and 50% thereafter.

"With processing facilities in place, the two new Rex delineation wells could be on production in Q4/19 which could substantially boost PLX's oil production," wrote the analyst.

"Internal mapping indicates the Rex pool has the potential to hold 60 million barrels of original oil in place (OOIP) on PLX lands. Assuming a 10% recovery factor based on primary production only, we calculate a potential net recoverable resource of around 3.0 million barrels. Valuing at a \$5/bbl results in an unrisks value of \$15 million (\$0.21/sh)."

Point Loma holds 3,385 gross acres over the Rex play and sees up to 18 potential drilling locations.

**Adding to opportunities**

In addition, it has secured the opportunity to drill and earn a further 720 acres in the area adding to the total

**Price:** 0.075

**Market Cap:** \$6.8 m

### 1 Year Share Price Graph



### Share Information

**Code:** PLX

**Listing:** TSX-V

52 week	High	Low
	0.24	0.04

**Sector:** Oil & Gas

**Website:** [www.pointloma.ca](http://www.pointloma.ca)

### Company Synopsis:

Point Loma Resources is new publicly traded Oil and Gas company that has captured a large position on the Mannville oil and liquids rich gas trend in west central Alberta. As a new company we have no bank debt, a solid balance sheet and an experienced team focussed on creating shareholder value.

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opportunities.

Terry Meek, Point Loma's chief executive, earlier this week, said: "The success from our Wizard Lake Rex oil discovery represents a key moment in the evolution of Point Loma. This increase in oil production is expected to provide higher netbacks and cash flow. The farm-out to Salt Bush is anticipated to build further oil production in the near term.

"This discovery is one of multiple opportunities Point Loma has identified that could lead to similar developments. We are excited to work with Salt Bush to fully develop this new discovery."

Mackie has a target price on the stock of C\$1 a share, which is more than five times' the current price of C\$0.18.

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