

Eco Atlantic Oil & Gas Ltd

10:29 11 Aug 2020

Exxon's new Guyana drilling set to ignite interest in two London listed explorers

Exxon is about to start spinning the drill-bit once again offshore Guyana - and that's exciting news for Eco (Atlantic) Oil & Gas Ltd. (LON:ECO) and Westmount Energy PLC (LON:WTE) which have exposure to the prolific offshore frontier.

The Stena Carron drillship has now arrived at the Tanager-1 well site, part of the Kaieteur Block which is located adjacent to Exxon's prolific Stabroek Block which is host to an extensive series of discoveries and field development projects presently estimated to contain more than 8bn barrels of crude.

Kaieteur is located immediately north of Stabroek and Tanager is one of multiple targets in the southern part of the licence area.

READ: Westmount Energy shares rise ahead of imminent drilling

Tanager-1 will be drilled down to a depth of 8,000 metres and will take 90 days to drill.

It is seen as a stacked reservoir prospect and has been estimated to host some 256.2mln barrels of oil (with the high-to-low case range set at 135.6mln to 451.6mln). The well is estimated to have a 72% chance of success (defined as 'aggregate Probability of Geologic Success').

Altogether the identified exploration targets in Kaieteur's southern area are estimated to contain around 2.1bn barrels of potential crude resources.

Success here would be a further boon to Guyana and significantly would extend the prolific oil play.

Stabroek lights the way

Exxon has led the way offshore Guyana with Stabroek where it made fourteen discoveries comprising over 6bn barrels of crude resources.

Stabroek's most advanced project, the Liza field where during the second quarter despite disruption caused by the coronavirus (COVID-19) pandemic Exxon confirmed production capacity of 120,000 barrels of oil per day (bopd) from the Phase 1 development.

Longer-term, the plan is to expand the production profile through the Phase 2 development to unlock some 750,000 bopd of production. Prior to the pandemic and the industry turmoil the target was to hit this target within five years.

That Exxon is advancing exploration at Kaieteur with big-ticket drilling of Tanager amidst the current turmoil perhaps speaks volumes for what, closeology-aside, is still high-risk exploration.

Exxon severely reduced its capital budget as the coronavirus (COVID-19) pandemic took hold and as crude prices crashed during the first half of 2020. In April, the company cleaved 30% off its original spending plans as its budget

Price: 26.625
Market Cap: £49.18 m

Share Information

Code: ECO
Listing: AIM
52 week High Low
 48.95 13

Sector: Oil & Gas
Website: www.ecoilandgas.com

Company Synopsis:

Eco Atlantic is an oil and gas exploration company focused on the acquisition and development of unique upstream petroleum opportunities around the world. The Company's objective is to identify technically merited prospective new and developing projects in frontier areas requiring low cost entry.

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reduced by US\$10bn to US\$23bn.

For those paying attention to Guyana's oil frontier, eyes will now train tightly on Tanager.

Eco's Guyana opportunity

Eco (Atlantic) owns a 15% stake of the Orinduik licence offshore Guyana in the Atlantic Ocean, alongside French major Total and Irish explorer Tullow Oil.

In 2019, Eco made two discoveries in the Guyana licence: the Jethro-1 well encountered 55 metres of net high-quality oil pay, while the Joe-1 well encountered 16 metres of continuous thick sandstone. Further analysis revealed the reservoir to have a heavier grade than expected, with high levels of sulphur.

Neither are cretaceous-age plays, the primary play type at Stabroek, though the company has multiple more prospects of like those in its remaining portfolio - which is slated to see new drilling in 2021.

In the meantime, third party activity, like the Tanager well will provide some passive catalysts.

Sam Wahab, analyst at SP Angel, in a note today, commented: "Following a transformational year offshore Guyana in 2019, it is encouraging for the sector to see Exxon resume drilling in the region.

"Further exploration of the light sweet liquid rich Cretaceous formation will add clarity of the size of this already substantial hydrocarbon province and provide important read across factors to other UK listed companies such as Eco (Atlantic) Oil & Gas* in our view."

Westmount Energy along for the Exxon ride

Exxon owns 35% of Kaieteur and it is the operator. The US supermajor's partners are Hess Corp (NYSE:HES), Ratio Petroleum, and Cataleya Energy Corporation - which own 15%, 25% and 25% respectively.

AIM-quoted Westmount owns a 0.7% interest in Ratio and a 5.4% interest in Cataleya.

Westmount chairman Gerard Walsh believes successful drilling could transform small-cap firm's valuation (presently at 22p per share the company's market cap is just over £27.6mIn).

"Tanager-1 is the first well in a potential multi-well drilling campaign being operated by ExxonMobil on the Kaieteur and Canje Blocks over the next 6 to 12 months," Walsh said.

"This campaign will evaluate high impact Upper Cretaceous prospects in the Liza play fairway with, in some cases, multiple stacked reservoir targets. It also provides Westmount shareholders exposure to a portfolio of drilling outcomes over a compressed timeframe. Success from some of the wells in this portfolio could result in transformational value changes for Westmount," he added.

Westmount was a participant in Eco's AIM-IPO, in February 2017, taking around 3.12mIn shares and in May 2019 it sold 1.625mIn of those shares for £1.34mIn, realising a 400% return on investment.

At that time, Westmount told its investors it retained shares equating to slightly less than 1% of the Eco.

The Eco divestment, according to Westmount, allowed the investor to manage its portfolio and capital resources.

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