

Egdon Resources

Springs Road update

Extensive shale sequence with gas indications

Oil & gas

11 March 2019

IGas has released an initial update on drilling activity at Springs Road, with over 250m of hydrocarbon bearing shale encountered. Pressurised core samples were shown to release gas at atmospheric pressure as can be seen in this [video](#) released by IGas. Our last published conventional asset value for Egdon was 12.7p/share and included 3.6p/share of risked value for Biscathorpe-2 which [we expect to remove](#). The valuation of Egdon's net shale resource (188,000 net acres) remains uncertain but, in our view, has the potential to be worth a risked c 100p/share based on the current expectation of well cost, type curves and forward gas prices, assuming a supportive political and planning backdrop.

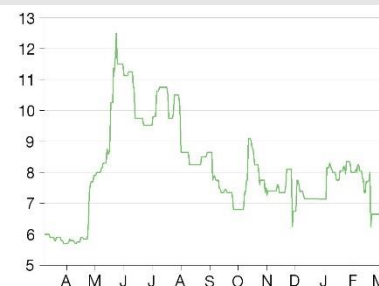
Price 7.8p
Market cap £20m

Net debt (£m) at 31 July 2018 2.8
Shares in issue 260.0m
Free float 47%
Code EDR
Primary exchange AIM
Secondary exchange N/A

Year end	Revenue (£m)	PBT* (£m)	Net cash/(debt) (£m)	EBITDA (£m)	Capex (£m)
07/17	1.0	(2.2)	6.1	(1.2)	(1.1)
07/18	0.8	(1.7)	2.8	(2.2)	(1.8)
07/19e	3.2	(0.6)	0.9	0.1	(2.4)
07/20e	4.2	(2.0)	(0.2)	(0.1)	(1.5)

Note: *PBT is normalised, excluding amortisation of acquired intangibles, share-based payments.

Share price performance



Business description

Egdon Resources is an AIM-listed onshore oil and gas exploration company. The group has conventional and unconventional assets in the UK.

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Springs Road (Egdon 14.5% carried interest): Operator IGas has completed the recovery of c 150m of shale core and extensive wireline logging across the Millstone Grit, Upper and Lower Bowland shale. Gas has been recovered from pressurised cores and the results of petrophysical and core analysis are expected in Q219. Drilling will now continue to test deeper sequences in the Gainsborough Trough.

UK onshore oil and gas (UKOOG) shale update: Based on initial data from wells at Preston New Road, Tinker Lane and Springs Road, UKOOG has updated its central estimate of type curve and local/national benefits of shale gas development. Key points include a 37.5% increase in per well estimated ultimate recovery (EUR) to 5.5bcf* (low 3bcf and high 8bcf) based on Cuadrilla's estimate of scaled-up initial flow rates for PNR-1z of 3 to 8mmscf. This compares to an Edison modelled P50 EUR of 6.5bcf for a 2.5km lateral.

*UKOOG does not specifically state lateral length. UKOOG highlights that in order to refine industry estimates of recoverable shale gas and resultant economics, there is a need for unhindered flow tests of key exploration wells.

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