

Faroe Petroleum

Well result

Rungne uncommercial discovery

Faroe Petroleum has announced the results of the Rungne exploration well 30/6-30 in the Norwegian North Sea in which it has a 40% working interest. The well encountered 86m of gross water-bearing reservoir in the primary Oseberg formation target and a 56m gross gas/condensate column in the Middle Jurassic Ness formation sandstones. The preliminary company estimate of recoverable gas and condensation is 2.7–17mmboe, which is unlikely to be commercial in isolation. Assuming the removal of Rungne from our RENA, our valuation falls from 185.2p/share to 179.3p/share (-3%) based on a \$70/bbl long-term oil price. We estimate a post-tax well cost net to Faroe of c \$2m.

Year end	Revenue (£m)	PBT* (£m)	Cash from operations (£m)	Net debt/(cash) (£m)	Capex (£m)
12/16	94.8	(61.6)	55.4	(60.9)	(79.4)
12/17	152.9	(21.0)	133.9	(43.3)	(144.2)
12/18e	236.3	62.3	173.6	(43.8)	(225.7)
12/19e	225.0	37.7	173.7	44.7	(263.8)

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

Faroe Petroleum has a 25% interest in the Agar/Plantain exploration well being drilled by Azinor Catalyst; results are expected shortly. The Plantain exploration well will target Eocene Frigg sands, which were proven by the Agar discovery well, 9/14a-15A, in 2014 and by the 24/9-12S Frosk oil discovery made by AkerBP in Norway in January 2018. Faroe identified that the seismic anomaly present in Frosk continued on Plantain and Agar. Agar and Plantain are estimated to hold combined mid-case prospective resources of 60mmboe, with an upside case of 98mmboe. In addition, Faroe expects to drill the Brasse East and Cassidy exploration wells this year. Further details can be found in our [recent initiation report](#).

Oil & gas

14 November 2018

Price 127p
Market cap 474m

Net cash (£m) at 30 June 2018	83
Shares in issue	372.9m
Free float	63%
Code	FPM
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Faroe Petroleum is an AIM-listed E&P with operations in Norway, UK and Ireland. Production in FY18 is expected to be 12–14kboed from an end-2017 reserve base of 98mmboe.

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