

# Egdon Resources

**Oil & gas**
**4 May 2022**

## Wressle continues to deliver

Egdon Resources' Wressle-1 well continues to produce above expectation, delivering 760–800bopd (228–240bopd net) during the six months to end January 2022. This high rate, combined with high commodity prices, has driven a 500% increase in revenues to £2.55m for the period, up from £0.42m in H121, and has made Egdon profitable for the first time since H111. With cash of £2.08m, the company says it is funded for near-term committed activities. Egdon will now look to increase Wressle production further. Other onshore drilling projects have been held up by planning permission refusals, while the UK government's request to review shale gas extraction could bring the company's shale assets back into play. Progress offshore has been affected by Shell's withdrawal from the licences holding the Resolution and Endeavour gas discoveries. Egdon's share price has performed strongly over the last six months, peaking at 4.2p/share in April and falling back over the last month.

## Additional production potential at Wressle

Production from Wressle is still constrained by gas handling equipment, with pressure tests indicating that flow rates of 1,200–1,500bopd could be achieved. Egdon plans to export gas via a short pipeline to the local gas network, which will require regulatory consent, and is targeting completion over the coming winter period. The company is also looking to produce from the Penistone Flags reservoir, which has been audited to hold mid-case contingent oil and gas resources of 1.53mmbbl and 2bcf.

## Beyond Wressle: Mixed fortunes

Shell's withdrawal from the P1929 and P2304 offshore licences will further delay progress at the Resolution and Endeavour gas discoveries. A 3D seismic survey over Resolution would have been funded by Shell, but had already slipped. Planning permissions for a sidetrack at Biscathorpe and an exploration well at North Kelsey were both refused, while planning consent is in place for a sidetrack at Keddington, which could deliver 180,000bbl of incremental production.

## UK shale gas review

In April 2022, the UK government announced that it has commissioned the British Geological Survey to advise on the latest scientific advice on shale gas extraction. A lifting of the moratorium on hydraulic fracturing for shale gas would be transformational for Egdon, which holds independently estimated net mean volumes of gas initially in place of 37.6tcf in the Gainsborough Trough. The company's focus would be on its Spring's Road-1 well in which it holds a 14.5% WI.

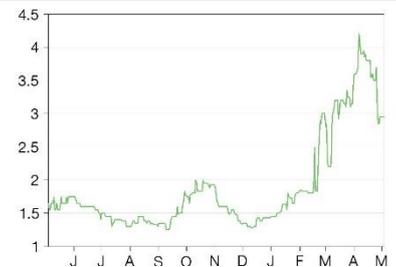
### Historical figures

Year end**	Revenue (£m)	PBT (£m)	EPS* (p)	EBITDA (£m)	Net cash (£m)	Operating cash flow (£m)
07/20	1.0	(4.7)	(1.5)	(4.7)	0.8	(0.2)
07/21	1.1	(1.6)	(0.5)	(1.2)	2.0	(1.1)
01/22**	2.6	1.2	0.24	1.7	(0.4)	(0.6)

Source: Egdon Resources. Note: \*Reported EPS. \*\*Unaudited 6 months to 31 January 2022.

**Price** **2.85p**  
**Market cap** **£15m**  
 US\$1.25/£

### Share price graph



### Share details

Code **EDR**  
 Listing **AIM**  
 Shares in issue **517m**

### Business description

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

### Bull

- Wressle continuing to exceed expectations.
- Sustained high oil price and structurally higher gas prices (in Europe) following Russia's invasion of Ukraine.
- Potential for shale gas assets to come into play.

### Bear

- Failure to access alternative funding for Resolution.
- Unsuccessful appeals for planning permission.
- Sustained low oil price affecting liquidity.

### Analysts

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