

Hurricane Energy

Flow test result

Lincoln Crestal positive flow test

Oil & gas

This morning Hurricane Energy announced the flow test results from its Lincoln Crestal well, the second well of a three-well drilling campaign in the Greater Warwick Area (GWA). The well tested at a maximum stable flow rate of 9,800bopd using electrical submersible pumps (ESPs). The well flowed at an average rate of 4,682bopd under natural conditions and no formation water was produced. The well will now be suspended, with the intention that it will be used for production via tie-back to Lancaster's Aoka Mizu FPSO in 2020, subject to further work, regulatory consent and final investment decision by the joint venture. Production from the tie-back would generate reservoir data to be used in planning future phases of development of GWA. The drilling rig will now move to the location for the third and last well of the 2019 drilling programme, Warwick West. Our latest risked valuation of Hurricane Energy stands at 102.8p/share, with GWA tie-back being valued at 3.5p/share and GWA FFD at 21.6p/share. Hurricane Energy is currently trading at 49.0p/share.

12 September 2019

Price 45.3p
Market cap £901m

Net debt (\$m) at 31 December 2018	103.4
Shares in issue	1,990m
Free float	80%
Code	HUR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Hurricane Energy is an E&P focused on fractured basement exploration and development in the West of Shetland region. The company's 100%-owned Lancaster oil discovery (523mmbbl 2P reserves + 2C resources) achieved first oil on target in H119.

Analysts

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Year-end	Revenue (\$m)	EBITDA (\$m)	Operating cash flow (\$m)	Capex* (\$m)	Net debt/(cash) (\$m)
12/17	0.0	(14.6)	(8.1)	(265.7)	(133.5)
12/18	0.0	(12.6)	(4.4)	(209.9)	103.4
12/19e	113.2	68.1	23.4	(35.6)	115.6
12/20e	365.0	256.8	235.6	(59.5)	(60.6)

Note: *Capex is net of carried investment by Spirit Energy.

Lincoln Crestal is the second well of a three-well drilling campaign in the GWA, following the Warwick Deep well that failed to flow at commercial rates, and the upcoming Warwick West well. The GWA well programme is seeking to access a 2C contingent resources at Lincoln of 604mmboe, of which the initial tie-back volume to the Aoka Mizu FPSO is expected to be c 23mmboe. The positive flow test at Lincoln Crestal of 9,800bopd is in excess of our modelled rates for the single-well GWA tie-back, which gives us confidence in the well deliverability and commerciality. Our latest risked valuation for the GWA tie-back stands at 3.5p/share with a commercial chance of success of 64%. This positive result should allow us to de-risk our GWA tie-back valuation in our next full research note. We will update our full GWA valuation on the back of the Warwick West result, upon which we will have a clearer understanding of GWA and the longer-term development options.

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