

88 Energy Ltd

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88 Energy's Alaska shale could flow at high rates, analyst says

A horizontal well in 88 Energy Ltd's (LON:88E, ASX:88E) Alaskan shale discovery will flow oil at high rates, in theory at least, according to Aussie broker Hartleys.

Whether or not the HRZ shale can flow at sufficiently high rates is the important question for investors, says analyst Simon Andrew, who highlights the issue will be the focus as the next well is drilled in early 2017.

In a note he says flow rates of at least 2,500 to 3,000 barrels of oil per day would be needed to justify the additional investment costs of operating in Alaska.

He also notes, however, that analysis of the first Icewine well to date would suggest the HRZ shale has the potential to be as prolific a producer as some of America's major unconventional plays such as the Eagle Ford - he highlights that at their March 2015 peak some Eagle Ford wells flowed as much as 14,000 barrels per day.

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"Laboratory testing and data analysis of the Icewine-#1 well is now largely complete," Andrew said.

"Key unconventional success parameters have all come in either in line or, in some cases, significantly exceeding other major unconventional play types in North America.

"Especially important was confirmation that the northern part of Project Icewine sits in the volatile oil window. Other important factors such as matrix permeability and porosity exceeded known levels in plays such as the Eagle Ford."

The analyst added: "Flow simulation is likely to show that a theoretical horizontal well in the HRZ will flow at high rates given the positive viscosity, pressure and permeability analysis of Icewine-1."

With a degree of caution, however, Andrew also noted that it could take multiple wells to optimise the frack and completion design, although he says the vast number of wells drilled in the Eagle Ford may help shrink the learning curve up in Alaska.

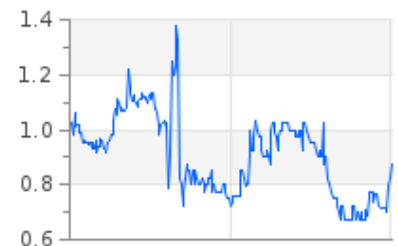
Andrew says recently raised capital will help fund seismic costs, acreage acquisition and preparations for Icewine 2, but for the longer he reckons a funding partner will be needed.

"88 Energy's high working interest in the Icewine Project means they can negotiate from a position of strength," he added.

Price: 0.825

Market Cap: £56.69 m

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: 88E

Listing: AIM

52 week	High	Low
	1.45	0.6275

Sector: Oil & Gas

Website: 88energy.com

Company Synopsis:

The company's goal is to build a successful exploration and production company that delivers material benefits to its shareholders and contributes to the development of the regions in which it works.

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Hartley's has a 'speculative buy' recommendation for 88 Energy.

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