

Hurricane Energy PLC

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Hurricane Energy's Lancaster discovery is a game changer for the UK oil industry

The early indications from Hurricane Energy Plc's (LON:HUR) latest well at the Lancaster field could have game changing implications not just for the West of Shetland area, but for entire North Sea and the UK.

Results from a pilot appraisal well have confirmed a massive 620-metre oil column, deep in basement rocks.

Early indications suggest the size of the field is "significantly greater" than the previous 200mln-barrel estimate of contingent resources.

Malcolm Graham Wood, an oil company expert and blogger, reckoned 500mln barrels or more could be by a "realistic target" based on Friday's results.

Wood said: "the numbers immediately move up from the 200m barrel mark shown at the capital markets day which was then a 50% chance and is now more like a 90% chance and with such a discovery one should make the range at least 350m barrels and more likely 500m a realistic target if not significantly more."

To provide some context, the average new oil discovery in the North Sea these days is in the range of 20-30mln barrels.

Dr Robert Trice, Hurricane Energy chief executive, highlighted it is very good news for the UK's offshore industry.

It sends a clear message that the UK and the North Sea is not dead from an oil industry perspective, he said.

"It is testament yet again that the UK geological system, the North Sea, has more treats to bring up and it is not a dead basin," said Trice in an interview with Proactive Investors.

"We have a prolific source rock around our island and it is really the imagination of geologists and engineers that will keep delivering this."

Lancaster could be the first step in a new oil play for the UK which according to Trice could "run into billions of barrels of recoverable oil".

The discovery is located in the West of Shetland area, a part of the North Sea that has been relatively underexplored due to harsher conditions.

It means finds been there are largely isolated and tough to develop, so much so that recent government offered tax incentives to oil and gas firms.

Lancaster, which has now been tested at rates of up to 11,000 barrels a day, appears to be a large and prolific field. It is

Price: 41.44

Market Cap: £8.25 m

1 Year Share Price Graph



November 2018 May 2019 November 2019

Share Information

Code: HUR

Listing: LSE

52 week High Low
64.5 37.7982

Sector: Oil & Gas

Website: www.hurricaneenergy.com

Company Synopsis:

Hurricane was established to discover, appraise and develop hydrocarbon resources from naturally fractured basement reservoirs.

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the kind of field that a more regional development can be built around.

"I think this has changed the face of the West of Shetland because if we can get Lancaster on production we have the potential for a hub development, for other resources in the area," Trice said.

Lancaster is what's called a basement play, which essentially means the oil is trapped in crevices between hard granite rock.

Even compared with typical hydrocarbons this oil is extremely old, about 2.5bn years, and if it wasn't for tectonic intervention it would be out of reach for oil companies.

As a result of ancient seismic events, in the region of 50mln years ago, these granite features have been pushed higher (about one kilometre closer than they otherwise would be). That means that Hurricane now has access this prolific and highly permeable fracture system.

Fractured basement oil plays like this are far a completely untapped in UK waters, but are bedrocks for production in Vietnam, Libya and the Yemen.

It is not yet known just how big Lancaster will prove to be.

But, it is just one of several in the Hurricane portfolio, and that could be huge for North Sea which has been in decline.

"I think we've really demonstrated that the basement [play] works," Trice added.

"We've now got five wells on Lancaster. They're all pretty much telling the same story. Basement works.

"Now Lancaster is not unique for the UK, so really the potential could run into billions of barrels of recoverable oil for the UK basement."

However big it proves to be, Hurricane's plan is to start oil production from Lancaster in 2019.

Initially this will come from just two wells which will deliver revenue and, importantly, more data and insight that will help hone future development planning for a much larger scale operation.

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