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VSA CAPITAL MARKET MOVERS - Columbus Energy Resources

Columbus Energy Resources: SWP Maiden Voyage For the full report. please click here. Keep reading VSA research for free - Click here for our position on MIFID2



Columbus Energy Resources (LON:CERP) has announced its intention to drill a low cost well in early Q3 2019 with a second well likely to follow soon after. Each likely to take two to three weeks to complete and are located within CERP's wholly owned licenses on the highly prospective South West Peninsula (SWP). We highlight the high chances of success for these exploration wells of 45% and 65%. One initial target indicates a mean prospective resources of 66mmbbls and our analysis suggest a NAV of US\$81m with the potential to deliver near term and transformational growth which could be largely funded internally based on management guidance.

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YTD oil prices have traded broadly within a narrow range of US\$50-60/bbl bar a brief break out in April. This price range is uniquely challenging due to Trinidad's Supplemental Petroleum Tax (SPT) which has hampered CERP's workover programme on its established production base. As a consequence, we have reduced our near-term assumptions to a more modest growth trajectory and assume 650bopd for 2019F (plus 20% YoY). However, the terms of exploring the SWP are far more attractive and a renegotiated private petroleum license held over the Bonasse field includes very attractive commercial terms for the initial 10mmbbls recoverable resource meaning the economics of producing from the SWP are significantly more attractive than at CERP's IPSCs.

CO2 Injection Progressing

CERP's partner on the Inniss Trinity field **Predator Oil and Gas (LON:PRD)** announced that a Certificate of Environmental Clearance (CEC) has been received by CERP (the Operator) paving the way for final permitting and field preparations for CO2 enhanced oil recovery testing in Q3 2019. PRD has announced that the recoverable Contingent Resource is estimated at between 5.3mmbbls to 8.9mmbbls (6.8mmbbls best estimate) and PRD has the right to purchase the CERP subsidiary which owns the field for US\$4.2m up until 31 December 2019.

Recommendation and Target Price

In addition to strengthening the underlying production base towards a sustainable operating position it has taken two years of preparation to get to this point to ensure that CERP shareholders are positioned to receive maximum benefit from exploration success on the SWP. Now with three major and near-term drivers for value creation; SWP drilling, CO2 injection and a new country entry with a discovered onshore development opportunity we believe that CERP is well positioned for a significant rerating through H2 2019.

We reiterate our Buy recommendation and adjust our target price to 21.6p.

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