

Reabold Resources

11:55 16 Sep 2019

Malcy's Blog: Oil price, Savannah Petroleum, Eco Atlantic, Reabold, Cluff - And finally...

Oil price

With the small decline in oil price on Friday the week ended down by about a dollar but then came the attack on Saudi installations by Yemeni Houthi rebels who the US reminded are funded and supported by Iran thus pointing the finger of blame firmly at them. Whilst it is normal when something like this happens to see a substantial price rise it normally falls back quite quickly as alternate sources of supply become apparent.

So far that is what happened, whilst the attacks were on the oil processing plant at Abqaiq and the Khurais oilfield and initial estimates of production outage were a cut of around 4m b/d the price, which had shot up to just below \$72 in far east trading, settled back to around \$65 at the time of writing. This is partly as the KSA is not producing flat out and can make up the difference and partly as President Trump approved sales from the US SPR.

Whilst the market is being relatively sanguine about the incident I would not want to be too short crude at the moment. Although the fundamentals for 2020 are technically quite bearish this incident is a reminder that supplies from the Middle East are far from secure and that this incident represents a significant step-up in aggression from the Iranian funded Yemeni terrorists. This is something that neither the KSA or even the Shermans are going to put up with without some sort of retaliation so I would expect more, not less aggression in the Gulf in coming days and weeks.

Savannah Petroleum (LON:SAVP)

After a dearth of good news from Savannah things are looking up, big time, indeed the shares have doubled in exactly a month and will justify going a lot higher again before long. Today they announce the signature of a Niger-Benin pipeline transportation convention between CNPC and the Republic of Niger. The plan is for a 2,000km pipeline from the Agadem Rift Basin to the Atlantic coast in Benin.

The pipeline is expected to be complete by the end of 2021 which should be a huge incentive to domestic exploration and production and will 'transform Niger into a major regional oil producer and deliver an increase in the country's growth rate', according to SAVP CEO Andrew Knott. For Savannah this will mean a significant addition to its options for markets for its crude in the future and adds to the domestic option of the Zinder refinery for existing and future crude discoveries.

Eco (Atlantic) Oil & Gas (LON:ECO)

Happiness is a thing called Joe and today the partners in Guyana have announced that the Joe-1 well is a discovery which has successfully opened a new Upper Tertiary oil play in the Orinduik Basin. Even Exxon have yet to find oil in the Upper Tertiary with its 11 Cretaceous and 1 Lower Tertiary discoveries nearby but any doubt about Hammerhead

Price: 0.605

Market Cap: £40.82 m

1 Year Share Price Graph



Share Information

Code: RBD

Listing: AIM

52 week High Low
1.75 0.22

Sector: Energy

Website: www.reabold.com

Company Synopsis:

Reabold Resources plc is an investment company in the natural resources sector that trades on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Exchange Price Information Code (EPIC) is RBD.

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extending into the Tullow/Eco acreage is now extinguished. The well was drilled to a depth of 2,175m in water depth of 780m and evaluation of logging and sampling data confirms that Joe has encountered 14m of net oil pay in a high quality oil bearing sandstone reservoirs of the Upper Tertiary age.

As I said this is the first discovery in the Upper Tertiary and of course it de-risks the petroleum system in the west of the Orinduik Block where a 'a significant number of Tertiary and Cretaceous age prospects have been identified'. Additional thinner sands above and below the main pay are being evaluated for possible incremental pay. These finds which make the partners 2/2 in this campaign are truly amazing and other adjacent areas are now surely going to be 75% COS success with so much upside to come.

These two discoveries add up to much more than a couple of finds on a frontier block and explain why Exxon has in its nearby discoveries gone into a fast-track development for Liza and its bigger neighbours. With drilling at nearby Carapa likely to now stimulate excitement even more the world is surely their lobster, indeed it could be that the partners decide to leave testing the Cretaceous until later and concentrate on the Tertiary in the meantime.

As for valuations and targets it looks like the original CPR is now already looking out of date and will have to be updated for this campaign. With the finds that they have just made and the whole area to be unitised with Exxon in the longer term I am 'adjusting' my targets. When I put Eco into the bucket list at 20p I had a TP of 200p and genuinely thought it could be a 10 bagger, now that is almost within touching distance those numbers need to be changed. Accordingly I think that 300p is comfortably achievable in the short term and I raise my long term target to 500p.

Reabold Resources (LON:RBD)

Reabold has announced that it has increased its stake in Danube Petroleum to 41.6% via subscription issue that ADX also participated in. Reabold have taken 810,811 shares at £1 each in two tranches with the first already paid for and the rest due at the end of September.

Cluff Natural Resources (LON:CLNR)

Not much to add at Cluff's interims as all the news is good but all known already. In or after the period they did the farm-out to Shell, acquired the 3D, raised £15m and got the Dewar farm-out under way. Having met with the CEO relatively recently I can say that the company management is in good hands and the Chairman is also top notch, they are in the right post codes, well funded have good gas demand and as they put it, 'a world class business partner' CLNR is in good nick.

And finally...

The surprise at the weekend was at Carrow Road where the locals turned over the Noisy Neighbours, as they say Pep and the boys need a holiday and I've heard that you can't beat the Canaries at this time of the year...Liverpool won again and Spurs did justify the 1-9 by crushing the Eagles. The Foxes came away with nothing from Old Trafford, Chelksi won easily and the Gooners drew at the Hornets. Villa play the Hammers tonight in the battle of the claret and blues.

The cricket was pretty good, having conceded the Ashes it was crucial that England didnt lose and go down 1-3 in the series so a comfortable win at The Oval was what the Doctor ordered.

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