

Jersey Oil and Gas PLC

14:09 06 Apr 2020

The Pay Zone - Oil price, RockRose, DGO, JOG, Petrofac

WTI \$28.34 +\$3.02, Brent \$34.11 +\$4.17, Diff -\$5.77 + \$1.15, NG \$1.62 +7c

Oil price

Those prices above are only the half of it, last week WTI was up 31.8% and Brent \$34.11 but not everything in the garden is rosy, ask a cross-section of oil people if they can see revisiting the lows my guess is that a fair few would say yes.

The first main decision on this is the Opec + meeting, originally scheduled for today but now expected to happen on Thursday, no surprise that it is the day that Aramco have slated for forward pricing announcements. No pressure there then....The CEO of Russia's Sovereign Wealth Fund RDIF, Kirill Dmitriev, in an interview with CNBC has said that he thinks that we are very, very close to a deal that would bring 'so much important stability to the market'.

There is still one sticking point to negotiate, one I mentioned in last week's blog, it is unlikely that President Trump is going to be able to deliver what is needed and that is some sort of participation in any output cut that others may demand. With US antitrust laws prohibiting it being something he can legally fall back on he may have to bluff it out that at current levels the US will be down by some 25%, not easy and Russia is the major selling point. With the rig count down overall by 64 to 664 and in oil by 62 to 562 making 100 over the fortnight that's no idle threat.

RockRose Energy (LON:RRE)

RockRose had its finals out this morning, delayed as a result of the FCA moratorium but to have a clean set of accounts out on day 1 is a credit to them and gives comfort that the balance sheet etc are in good nick. So, with adjusted EBITDA of \$97.9m being ahead of the whisper and net operating cash flow of \$100.6m along with good news on both capex and opex as well as cash in the balance sheet RRE is, despite current obstacles, looking in good health.

Cash is \$375.5m of which \$59.7m is restricted and well able to cover the progressive dividend policy outlined by the company, accordingly they confirm the 25p payment previously announced making 85p for the year. As for capex the company announce a fall of \$80m or 40% to \$120m, a bigger fall than previously indicated. In addition the company's abandonment costs are down by \$5m to \$25m and unit opex has also been trimmed to below \$30/bbl and its abandonment half-life has been extended from 2028 to 2030 which has the effect of full tax relief on all abandonment expenditure at a rate of at least 40% given it is fully covered by tax paid history.

Production for the year was 13,886 boepd with a pro-forma number of 19,356 boepd including Marathon, again in line with guidance. The expenditure cuts announced, whilst expected to affect production growth somewhat this year are not

Price: 137.5

Market Cap: £30.02 m

1 Year Share Price Graph



Share Information

Code: JOG

Listing: LSE

52 week	High	Low
	328	45.05

Sector: Oil & Gas

Website: www.jerseyoilandgas.com

Company Synopsis:

Jersey Oil and Gas is a British independent North Sea focused upstream oil and gas company, driving shareholder value through creative deal making and operational success. To view the latest AGM updated and narrated corporate presentation which includes answers to certain questions submitted by shareholders ahead of the meeting please click [here](#) and [here](#).

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expected to have a material impact of the company's reserves, currently 61 mmbob of 2P and 21 mmbob of 2C reserves. All this time the company has managed to reduce CO2 emissions by some 18%.

These RockRose figures were mainly in the marketplace but unsurprisingly there were a few pleasant surprises, the one I think is most pleasing is that the company has stress tested the numbers and comes out with a figure of \$18 p/b at which the business runs given the harshest of environments, every which way RockRose seems to be in the extreme upper echelon of companies in the sector.

Chairman Andrew Austin is always on the lookout for deals even when the sun shines, at this stage in the oil cycle I'm sure that he is running the slide rule over a number of opportunities...More after tomorrow's conference call if appropriate.

Diversified Gas and Oil (LON:DGOC)

A COVID-19 update from DGO this morning and one which should be highly satisfactory to shareholders. The company say that normal operations continue with little-to-no impact from the virus. In addition DGO's stable production, low operating costs and robust hedging strategy mitigates the impact of low commodity prices.

DGO ticks a lot of my boxes at the moment, its model is highly suitable for the current situation, it produces steady cash flow and perhaps more importantly the ability to maintain its dividend. I have seen some commentators suggesting that the substantial yield is untenable and that it shows that the dividend will be cut, today the company repudiate that, in this case I would get stuck in, this is an offer not to be missed.

Jersey Oil & Gas (LON:JOG)

I don't normally write up board advisory appointments but the news today that Dr Chris Haynes has joined JOG is more than worth it. Highly respected in the industry, a NED of both Woodside and Worley after his long career at Shell and more letters after his name that I can shake a stick at I have no doubt that he will be a significant addition to JOG. With such a massive project at the Greater Buchan area his will be invaluable advice over the next few months.

Petrofac (LON:PFC)

Petrofac has joined the cost-cutters with a reduction in capex of 40% this year, the company will be managing working capital harder, extending debt and withdrawing the 25.3p dividend previously announced. They are also reducing and structurally re basing salaries and allowances for the board, senior management and most employees bu between 10-15%. They are reducing personnel by c.20% and reducing non staff overhead costs by up to 25%.

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