

# Egdon Resources

## Biscathorpe-2 - a material catalyst for Egdon

Egdon has announced the spud of the Biscathorpe-2 well in Lincolnshire, a material well that makes up 28% of risked conventional valuation targeting Pmean gross unrisked resource of 14mmbo. Egdon describes Biscathorpe as one of the largest undrilled prospects onshore UK. Our last published conventional asset value for Egdon was 12.7p/share. Valuation of Egdon's net shale resource (188,000 net acres) remains uncertain but, in our view, has potential to be worth risked c 100p/share based on the current expectation of well cost, type curves and forward gas prices, assuming a supportive political and planning backdrop.

Year end	Revenue (£m)	PBT* (£m)	Net cash/ (debt) (£m)	EBITDA (£m)	Capex (£m)
07/17	1.0	(2.2)	6.1	(1.2)	(1.1)
07/18	0.8	(1.7)	2.8	(2.2)	(1.8)
07/19e	3.2	(0.6)	0.9	0.1	(2.4)
07/20e	4.2	(2.0)	(0.2)	(0.1)	(1.5)

Note: \*PBT is normalised, excluding amortisation of acquired intangibles, share-based payments.

**Biscathorpe-2:** Egdon has a 35.8% interest alongside partners Montrose, Union Jack and Humber. Net well cost is expected to be just £0.75m with total depth (2,100m) expected to be reached in mid-February. Biscathorpe-2 is targeting a combined structural/stratigraphic trap down-dip from the 1987 BP crestal well that discovered oil shows in 1.2m of basal Westphalian sand. Key aims of the well include determining reservoir thickness away from the structural high, determining reservoir quality and obtaining pressure data to infer an oil-down-to. Current unrisked gross resource estimates range from P90 (1.84mmbo) to P10 (35.3mmbo). Based on Egdon's net 4.9mmbo (gross 14mmbo) pre-drill estimate of Pmean volume and our 20% chance of commercial success (COCS), we valued Biscathorpe at risked 3.6p/share, equating to 28% of our conventional valuation. Egdon estimates a 40% COCS, given the low threshold for commerciality once the Biscathorpe-2 well has been drilled and completed.

**UK shale activity update.** Egdon is fully carried on its 14.5% interest in the IGas-operated Springs Road-1 well targeting Bowland shale in the Gainsborough Trough. Drilling is expected in early 2019. Cuadrilla took a pause over the Christmas period at Preston New Road, but expects to complete the next phase of hydraulic fracturing and flow testing in 2019.

Biscathorpe well activity

Oil & gas

7 January 2019

**Price** 8.15p  
**Market cap** £21m

Net debt (£m) at 31 July 2018	2.8
Shares in issue	260.0m
Free float	47%
Code	EDR
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



### Business description

Egdon Resources is an AIM-listed onshore oil and gas exploration company. The group has conventional and unconventional assets in the UK.

### Analysts

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