

PETRO MATAD

OIL & GAS

22 August 2024

MATD.L

2.83p

Market Cap: £41.9m

SHARE PRICE (p)



12m high/low

4.5p/2.3p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash \$4.5m (at 31/12/23)

Enterprise value £38.2m

Index/market AIM

Next news Interims, September

Shares in issue (m) 1,483.9

Chairman Enkhmaa Davaanyam

Chief Executive Mike Buck

Head of Finance Tamir Battogtokh

COMPANY DESCRIPTION

Petro Matad is a UK-listed exploration company that is focused on Mongolia.

petromatadgroup.com

PETRO MATAD IS A RESEARCH CLIENT OF
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Preparations for production gather pace

Petro Matad has issued an operational update this morning. The Heron-1 well has been re-entered and management is looking to put in the required production equipment. PetroChina, in the neighbouring licence, is providing oil storage tanks for the production. Petro Matad is also looking at mobilising rigs to start drilling the Heron-2 well and Gobi Bear exploration well. This is exciting news. After many delays, the group is about to start production, which will provide cash flow and accelerate the growth of shareholder value.

- Heron-1 re-entered.** Work on the Heron-1 discovery well has been completed with a down-hole pump installed, following a successful reservoir stimulation programme, ahead of the start of production. The reassuring part is that the well was found to be in good condition and the perforated zone, which flowed in the discovery well, was successfully isolated and hydraulically stimulated. Management has already purchased the production equipment, which is ready to be installed now that the completion equipment has been removed. PetroChina, operator of the adjacent licence, has provided spare oil storage tanks (at nominal cost), and these are being integrity tested. Management continues discussions with PetroChina and MRPAM (Mineral Resources and Petroleum Authority of Mongolia) on the processing, transportation and sales of crude produced through these adjacent facilities.
- Ready to drill.** DQE, the main provider of drilling services in Mongolia, has been approved (as the winning bidder) for the 2024 drilling programme. This will comprise the drilling of the Heron-2 well and Gobi Bear exploration well. The Heron-2 well is located to the south of the Heron-1 well and is expected to spud in mid-September, giving enough time in the operational window to allow full evaluation, flow testing and completion as a production well. Management is getting a smaller rig mobilised to drill the Gobi Bear exploration prospect in the south west of the licence. This is expected to spud towards the end of September and is probing a stratigraphic/pinchout trap, which is up-dip and in the same geology as the Heron oil field. Management estimates that oil resources in place could be 307 mmbbl. Assuming a similar recovery factor (30%) to the Heron field, this would imply recoverable resources of approximately 90 mmbbl. Gobi Bear is a high-risk prospect with an estimated chance of success of approximately 15%.
- Overview.** This operational update is good news for shareholders after so many delays over issues such as land access. Petro Matad will soon start production at Heron-1, and this will quickly build with further wells. Management believes that it could ultimately get production up to 9,000 bbl/day at the field, which would provide significant cash flows. The Gobi Bear exploration well, although high risk, could provide a very significant boost to the resources base of the group and shareholder value. Elsewhere, Petro Matad continues to look to grow. SunSteppe, its renewable energy JV, is moving several projects ahead (such as its battery energy storage system at Choir). Petro Matad is also looking at building its oil exploration acreage in the current licencing round.

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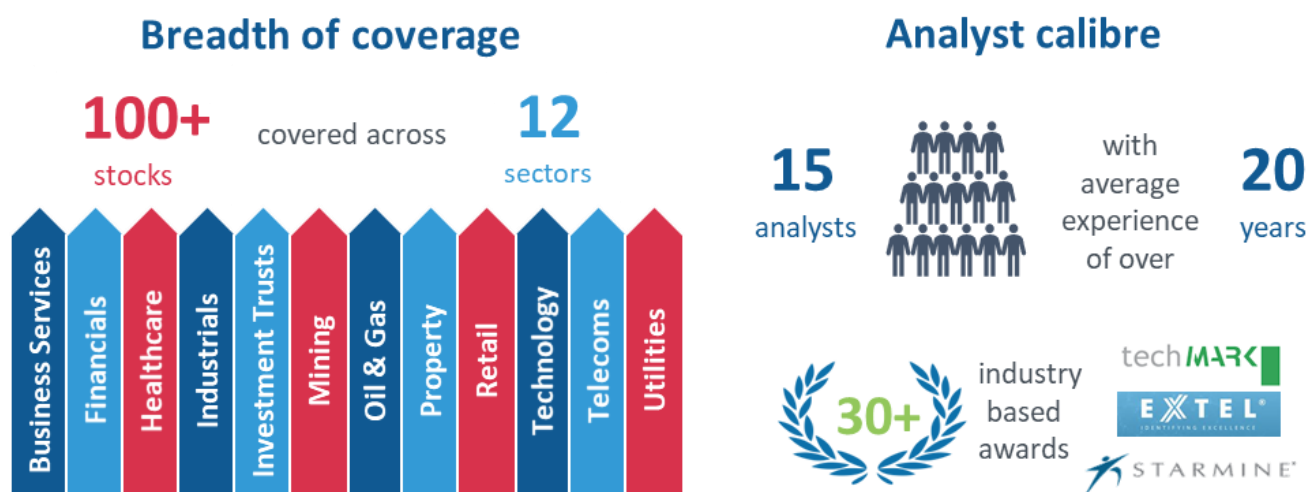
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