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ATLANTIC CAPITAL MARKETS



JERSEY OIL AND GAS

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Oil and Gas exploration is an area of explosive moves, both good and bad and as a relatively small unknown operator, recent news flows have certainly brought JOG to the front of investors focus. The company has reported they have been awarded three new blocks in the Greater Buchan Area in the Moray Firth, adding 100m discovered barrels of oil equivalent to its portfolio. It also added prospective resources of 300m barrels of oil equivalent. But who are they and what do they do and is this really the start of something big or just a flash in the pan?

A Brief History

The company was founded in March 2014 and immediately identified opportunities in the UK North Sea. At the time the area was going through a sustained crisis following years of under investment, declining production and unsustainable costs, against a backdrop of falling oil prices.

At the time this move was seen to be a big chance and highly risky, but JOG was one of the few companies to see this as an opportunity and in August 2015 became a public company. They floated on the AIM market through the acquisition of Trap Oil Ltd. The combined entity was then recapitalised, the balance sheet was cleaned up and following a share consolidation the company was relaunched as Jersey Oil and Gas plc.

JOG then launched a farm out process in February 2016, which concluded with a deal with oil major Statoil (whose name subsequently changed to Equinor). This resulted in the first promoted farm out deal to be done in the UK North Sea in over three years, which led to a drilling commitment by Statoil. 2017 was a landmark year for JOG, as they were an instrumental catalyst for the drilling of three exploration wells in the UKCS, one of which resulted in the highly publicised Verbier oil discovery.

On the back of this success, JOG completed a significant equity financing of £24m, strengthening the shareholder base and ensuring they maintained their position at the table through the appraisal stage of Verbier.

The Team

- **MARTIN DAVID**
- MANAGER - EXPLORATION AND LICENCES

Martin David has over 35 years' experience in the oil and gas industry encompassing technical, operational, commercial and executive management roles for a variety of oil and gas companies, including UK Independent and publicly owned companies and major European and North American corporations. Martin is a geologist by background and his career has been focused on upstream exploration and production activities in the North Sea.

- **DR SATINDER PUREWAL**
- VICE PRESIDENT - TECHNICAL, RESERVOIR ENGINEERING & ADVISOR TO THE BOARD

Satinder Purewal has been a Visiting Professor of Petroleum Engineering at Imperial College since 2004. He has 36+ years global experience in Reservoir Engineering. He was COO/TD of EER Limited for two years and before that he was responsible for Proved Reserves Assurance for Shell's European Region, Global Proved Reserves Training and delivery of several reservoir engineering courses worldwide. With the UNECE, he is currently Chairman of the Petroleum Work Group, Member of the Technical Advisory Group and Member of the Expert Group on Resource Classification.

- **DAVID LARCOMBE**
- ENGINEERING & COMMERCIAL MANAGER

David Larcombe is a Chartered Engineer with the Institute of Chemical Engineers with a broad knowledge of the oil and gas industry. David commenced his career as a Process Engineer with CB&I where he designed oil and gas platforms, LNG facilities and pipelines. Building on David's technical foundation of the Oil and Gas Industry, he moved to IHS Markit to focus on the commercial aspects of the industry. He spent a number of years in the Upstream Oil & Gas Asset Valuation Team, responsible for the valuation of global oil and gas assets and field development planning.

- **DR NASSER BANI HASSAN**
- PRINCIPAL GEOSCIENTIST

Nasser Bani Hassan is a principal geoscientist with 13 years post graduate experience of which 9 years has been spent in the oil and gas industry. He has a rich and varied background acquired from working with operators, leading consultancies and service companies, namely National Iranian Oil Company, Terras Persia Seismic and ERC Equipoise (ERCE). Nasser has a strong background in seismic data acquisition, processing and interpretation, as well as petrophysical interpretation, and has gained experience in the petroleum life cycle from frontier exploration to field development studies in a variety of global basins.

- **SEAN RUSH**
- LEGAL COUNSEL

Sean Rush has been a UK oil and gas lawyer for over 20 years having worked at senior levels in house for ENI and Petro-Canada and as a partner in a London city law firm. Mr Rush was a member of the former UK industry – Government steering group 'PILOT' and has served on Oil & Gas UK's legal sub-committee as well as being a Chairman of the UK Energy Lawyers Group. He has a Master's in Petroleum Law and Policy (with distinction) from Dundee University's Centre for Energy, Mineral and Petroleum Law and Policy.

Assets

- **VERBIER**
- **Licence:** P2170 Blocks 20/5b & 21/1d
- **Area:** North Sea

Partners	Current working interest levels %
Equinor (Operator)	70.0
JOG	18.0
CIECO	12.0

Blocks 20/5b and 21/1d were awarded as a Traditional Licence in the 28th Licencing Round. The blocks lie approximately 100km northeast of Aberdeen, close to the Buchan and Tweedsmuir North and South oilfields and straddle the western end of the North Buchan Trough.

- **ATHENA**
- **Licence:** P1293 Block 14/18b
- **Area:** North Sea

Partners	Current working interest levels %
Ithaca (Operator)	22.5
Dyas	17.5
Parkmead	30.0
Spike	15.0
*Trap Oil Ltd (JOG)	15.0

Block 14/18b is located in the North West Witch Ground Graben in the Moray Firth and contains the Athena oil field.

On 21st December 2012 Trapoil completed the acquisition of a 15 per cent. working interest in Athena from Dyas UK Limited.

Recent News - A Transformational Licensing Award

The share price has recently come to life as they have been awarded significant acreage containing over 100 million barrels of discovered oil, in the latest North Sea licensing.

It has landed 100% of three blocks hosting the Buchan oil field and the J2 oil discovery. The acreage is contiguous with JOG's existing interest in Licence P2170 which contains the Verbier discovery.

This news is a highly transformational development and a real game changer for the company moving forward from here. We have already seen strong re-ratings from brokers with the house Broker Arden Partners almost double target prices from 230p to 450p based on a risked net asset value (NAV) estimate of 537p a share, (based on an average price per barrel of \$65).

But Why Such Bullish Ratings?

The acreage awarded to Jersey in the licensing round includes the Buchan oil field that was discovered by BP in the mid-1970s and came onstream in 1981. Production continued until May 2017, when the Buchan Alpha platform was no longer compliant with the current Safety Case, by which point a total of 148m barrels had been produced.

The award in itself is good news enough, but the fact they have been awarded 100% working interests and ownership of Buchan Andrew, an undeveloped discovery above the main Devonian Buchan reservoir, and J2 Sgiath, an undeveloped discovery. These discoveries are estimated to have un-risked gross recoverable mean resources of 20m and 3m barrels, respectively, according to Jersey management and independent work completed by Rockflow Resources on behalf of the company.

The Real Grabber

Jersey has entered into a three-month option agreement under which Equinor, the operator of Verbier, has been granted an option over a 50% equity interest in respect of the two blocks containing the Buchan oil field and J2 oil discovery. Should the option be exercised, Jersey will act as licence operator and Equinor will reimburse the company for its 50% share of costs in relation to the licence applications.

Prior to these three awards, Jersey's net share of the Verbier discovery was estimated at 4.5m barrels of oil equivalent (boe). The new awards add an estimated 105m boe of discovered resources net to Jersey, making this "the most significant event for the company since its inception", says chief executive Andrew Benitz. And I have to say I am in total agreement with him.

Jersey's interests in other blocks in the Greater Buchan Area hold in excess of 300m barrels of oil equivalent (boe) mean prospective resources. These include Jersey's nearby Cortina prospect on the P2170 licence, which has a minimum resource of 39m boe and a risked NAV of \$25m (85p a share) based on Arden's analysis.

Importantly, Jersey's management maintain their view that that Verbier is commercially viable at the lower end of the initial resource estimate of 25m to 130m barrels of oil equivalent (boe). Today's licensing awards mean that progression of the Buchan development is likely to be highly supportive of the development of Verbier too.

Summary

Always a word of caution with Oil and Gas exploration as the prices will often see heightened volatility and JOG's is no exception. Despite all of this, the recent news is certainly transformational and investment risk looks to be more pointing to the upside given the likelihood of a raft of positive news flow and rerating to follow as the company makes progress on commercialising its acreage. That's because Equinor can be expected to exercise its option on the Buchan Blocks before the end of October, thus improving the chances that the fields will be developed.

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