Hurricane Energy PLC

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Hurricane Energy interim results boast first revenues thanks to Lancaster start-up

Hurricane Energy Plc's (LON:HUR) half yearly results on Friday were the company's first set of financials to include revenue.

The May start-up of the Lancaster field's early production system (EPS) was a landmark moment for the company, which has since seen output ramp-up with rates at the end of the period running ahead of guidance.

"Achieving first oil on schedule and on budget is a remarkable achievement and a huge credit to our operating team, our partners and contractors," said Dr Robert Trice, Hurricane's chief executive.

"Since first oil, Hurricane has sold over 1.6 million barrels of oil across four cargoes and Lancaster has been producing at an average of 14,100 barrels of oil per day."

READ: Hurricane Energy boosted by 'excellent' Lincoln well result

Hurricane generated some US$22.5mln from its first crude oil lifting (the only one in the first half) and it also banked a US$6.2mln tax refund, related to R&D tax credits.

The company reported a US$1.2mln operating profit, reversing a US$4.7mln loss in the comparative period in 2018.

It made a US$21.2mln net loss after tax in the first half, narrowed from US$75.1mln in 2018, with the figure included a US$23.5mln non-cash fair value loss related to a derivative element within its convertible bonds.

Price: 15.2

Market Cap: £3.03 m

1 Year Share Price Graph

Share Information

Code:		HUR
Listing:		LSE
52 week	**High**	**Low**
	64.5	**14.58**
Sector:		**Oil & Gas**
Website:		**www.hurricaneenergy.com**

Company Synopsis:
Hurricane was established to discover, appraise and develop hydrocarbon resources from naturally fractured basement reservoirs.

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Hurricane ended June with some US$81.4mln of cash.

Trice added: "The operating cash flow that the EPS is delivering provides Hurricane with greater control of our future as we seek to deliver growth in reserves and production across all of our Rona Ridge assets.

"Whilst the financial security gained from production is crucial, the ultimate goal of the Lancaster Early Production System is to improve our understanding of the reservoir to aid planning of future phases of development of Hurricane's significant Rona Ridge resource.

"Throughout the start-up phase and following first oil, the reservoir has performed at the higher end of expectations."

Trice noted that it will take at least six months of 'steady state' production from the EPS before the company is able to evaluate the validity of Lancaster's reservoir model.

Lancaster start-up in facts
Hydrocarbons were introduced into the EPS on 11 May ahead of 'first oil' production on 4 June.

Production had averaged around 14,100 barrels of oil per day between 4 June and the latest crude lifting from the Aoka Mizu floating production facility, which was 17 September.

Four crude cargoes have been sold from the EPS to date, which in aggregate amounts to 1.6mln barrels of oil.

The EPS has seen overall system availability above 85% which is the figure used in the company's long-term guidance.

Hurricane's current, unchanged, guidance for 2019 anticipates an average production rate of 12,500 bopd (per day since 'first oil') which equates to over 2.8mln barrels of crude.

Drill programmes and GWA development
A three-well drill programme began earlier this year and is ongoing.

As previously announced, the Warwick Deep well - the first of the three - encountered a "poorly connected section of the fracture network" and it did not flow oil at commercial rates. The well did encounter a 712 metre section of fractured basement reservoir, with light oil confirmed in analysis.

Lincoln Crestal, the second and most recent well, was a success with flow testing results last week confirming rates of 9,800 bopd with pumping and 4,682 bopd in natural flow conditions. The crude was confirmed as being light, 43 degree API, oil.

Hurricane said it continues to analyse the possible reasons for the sub-commercial flow rates in the Warwick Deep well.

It is planned that Lincoln Crestal will be tied into Lancaster's Aoka Mizu vessel, subject to regulatory consent and concurrent to the facility being tied into the West of Shetland Gas Pipeline system (WOSPs) and Lancaster's 'debottlenecking'.

Hurricane expects that the third well in the programme, Warwick West, will be drilled shortly.

The drill programme is located in the Greater Warwick Area, spanning the Warwick and Lincoln resources, adjacent to the Greater Lancaster Are which comprises the Lancaster and Halifax fields.

GWA is 50% owned by Hurricane following the farm-out to Centrica-backed Spirit Energy which sees the new partner covering the drill costs of the current drill programme.

The GLA and GWA together comprise an broader area referred to by Hurricane as the Rona Ridge.

Highlighting the drilling successes, Trice added: "Following the successful Lincoln Crestal well, we look forward to continuing with our Greater Warwick Area work programme with our partners Spirit Energy.

"This programme is designed to enable us to obtain the necessary reservoir data from across the GWA in order to allow the partnership to work towards an initial phase of full field development on the Greater Warwick Area."

Hurricane noted that long lead items have been ordered for the planned GWA 2020 well programme and a rig contract is expected to be signed shortly.

The Spirit Energy farm-out deal, agreed a year ago, envisaged two phases of drilling with Hurricane being 'carried' for up to US$387mln of drilling spend - US$180.6mln in the first programme and a further US$187.5mln in a second programme, subject to the 2019 results.

In 2018, the agreement outlined that three additional wells could be drilled in 2019 to further appraise the GWA assets and to assist engineering design ahead of a possible final investment decision on field development by 2021.

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