

Corporate

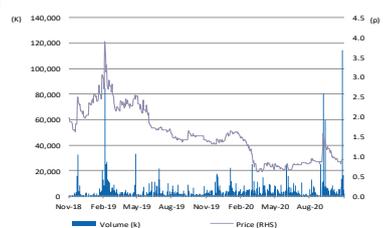
 Current price **0.925p**

 Sector **Oil & Gas**

 Code **DELT.L**

 AIM **AIM**

Share Performance



	1m	3m	12m
DELT.L	-5.1%	8.8%	-35.1%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **13.0**

 Shares in issue (m) **1,406**

52 weeks	High	Low
	1.65	0.625

 Financial year end **30 December**

Source: Company Data, Allenby Capital

Key Shareholders

 IPGL (Michael Spencer) **16.8%**

 Canaccord Genuity **10.7%**

 Hargreaves Lansdown **7.8%**

 Janus Henderson **6.7%**

 Richard Sneller **5.1%**

 Fiske Plc **4.5%**

Source: Company Data, Allenby Capital

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Deltic Energy plc (DELT.L)

2021 Pensacola drilling on schedule

Deltic Energy plc (DELT.L) has announced that Shell has reiterated its intention to drill in Q4 2021 the Pensacola Zechstein reef prospect on P2252, approximately 75 km east of the Tees estuary in the Carboniferous and Zechstein fairway of the SNS (Southern North Sea). The Oil & Gas Authority (OGA) has, however, granted Shell an extension of the date by which the final drilling decision is made from end November 2020 to end March 2021 due to the difficult operating environment associated with the covid-19 logistical restrictions. The regulatory body has authorised the extension of the period to allow seismic evaluation to be completed. Importantly, the timing for the final Pensacola well decision does not impact the Q4 schedule for drilling. Deltic has a 30% non-operated interest in P2252. Shell will continue to carry 100% of Deltic's costs prior to the final drilling decision.

- Deltic has indicated that significant technical work has already been undertaken by the Shell/Deltic joint venture. Significantly, evaluation work based on the 3-D seismic shot in 2019 has revealed a robust image for Pensacola which supports the prospectivity originally identified with 2-D seismic. Further seismic processing is required to improve image resolution in the north section of the prospect but this will not affect the reservoir. This should assist in further de-risking the project and raising the geological chances of success (GCOS) from the current 20%.
- We believe Shell has been conducting a number of tasks simultaneously in advance of the well decision which will allow it to be drilled in Q4 2021. A key task already underway is well planning and design. Furthermore, we believe that the Pensacola well has been fully incorporated in Shell's SNS drilling programme for 2021. We believe that the technical and planning work underway points to Shell's commitment to the Pensacola project. Deltic's share of Pensacola well costs will be about £4.0m which is already funded. There should be no adverse financial implications for Deltic of the decision to delay the final drilling decision on Pensacola.
- Shell's requirement for additional time before making the final Pensacola drilling commitment is disappointing but was due to an exogenous event and should not disrupt the work programme. Importantly, the delay does not impact the scheduled timing for Pensacola drilling and leaves the investment case for Deltic strong. The company remains at an exciting juncture with drilling on the high-impact Pensacola prospect less than a year away. This should be followed by the drilling of Selene, another high-impact prospect, in the prolific Leman Sandstone fairway of the SNS in the second half of 2022. Interesting news flow is likely to materialise regarding the Cupertino project in a highly prospective zone of the Carboniferous fairway. This will probably include an update to GIIP (gas initially in place) and recoverable resources and be a prelude to a farm-out in the New Year. The farm-out process could also commence in the near future for Block 43 in the Carboniferous fairway, which contains the tcf scale Cadence prospect. The market capitalisation of £13m constitutes a discount of almost 95% to our risked-valuation across the portfolio of assets of £192m or 13.7p/share.

Year End: 31 December

(£'000)	2018	2019	2020E	2021E	2022E
EBITDA	(1,653)	(1589)	(1,403)	(1468)	(1,520)
NET CASH FLOW	409	12423	(1847)	(5871)	(6403)
NET CASH	1,426	13,849	12,002	6,132	(271)

Allenby Capital acts as Nomad & Broker to Deltic Energy plc (DELT.L).

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Peter J Dupont is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated, the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com. Allenby Capital acts as Nomad and broker to Deltic Energy plc.

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