

Parkmead takes full control of fields



Kevin Scott, Business Correspondent

PARKMEAD Group has taken full control of the Sanda North and Sanda South fields West of Shetland as its executive chairman Tom Cross said the group would “absolutely” complete further deals this year.

The potentially high impact fields lie to the north east of the Greater Lancaster Area, where in January Hurricane made a discovery which it said could contain up to one billion barrels of oil.

Parkmead said the Sanda fields have the potential to contain 280 million barrels of recoverable oil, most likely on a P50 basis, meaning there is a 50 per cent chance the actual quantities will equal or exceed this estimate.

The group has raised its stake in the fields, which neighbour its Davaar field, from 56 per cent, buying out Dutch minor Dyas, with Mr Cross noting that Parkmead’s strategy was to take full control of assets it really liked.

West of Shetland has come to prominence in spite of its harsh, remote environment making extraction particularly challenging, with BP and Shell recently winning licences in the area ahead of Hurricane’s huge find.

Mr Cross said the prospects had the potential to add major value to Parkmead. “The West of Shetland is a really crucial area, my team have made a number of discoveries in the area and we know it really well, much better than our overseas partners,” he said. “Because we’re a long-term British oil company, while the oil prices is low we’ve been taking the opportunity to buy out partners and this is another example of that.”

The licence covering Block 205/13, in which the Sanda fields reside, was originally awarded to Parkmead in 2014 as part of the UKCS 28th Licensing Round, where the group was awarded a total of six new oil and gas licences covering 10 offshore blocks.

Parkmead made a loss of £6.4m in last year but Mr Cross has been in an acquisitive mood, making the most of the fact the group is cash positive and the relatively low cost of assets as oil hovers around \$55 a barrel.

Parkmead's strategy covers three areas: increasing its share of assets it already is invested in, buying up small and medium sizes assets from majors, and acquiring distressed companies.

In August 2016 the North Sea and Netherlands-focused group acquired full control of the Polecat and Marten fields, and followed this in September by increasing its stake in the Perth and Dolphin fields to 60.4 per cent. These four fields are in the Central North Sea.

"The oil price has been on the floor for the last two years but in the overall scheme of things it's a bit of a blip," said Mr Cross. "We've seen a number of these cycles. It wasn't that long ago it was more than \$100 a barrel, and when you're looking at a field that could last 25 or 30 years you've got to take a balanced view on where the price is going to be."

The Sanda prospects have been de-risked through preparatory drilling and Parkmead's experienced team of geoscientists has already undertaken extensive seismic reprocessing work on the licence.

Mr Cross said a decision on drilling would be made later this year. "Now that everyone knows we've gone to 100 per cent we'll get people approaching us that have a rig, so we won't necessarily have to join a queue," he said. Once you have 100 per cent people see it as an invitation to come and talk to you when they've already got a rig on contract."

He said farming out Senda in the future was a possibility but added the company's positive cash position meant it did not have to.

"We can take advantage of low costs and push our programme forward. During this trough, we have been adding assets throughout the period as others have struggled."

Meanwhile Parkmead has said the planned exploration drilling of the Verbier prospect in the UK Central North Sea could increase the value of its Polecat and Marten licences.

Statoil, which operates Verbier, yesterday announced it would use the semi-submersible Transocean Spitsbergen rig on three exploration wells in the UK.

The \$18m exploration drilling contract will be conducted for the Mariner, Jock Scott and Verbier licences, and is planned to being in the summer.

Mr Cross said a discovery at Verbier could have the potential to considerably increase the value of its own assets. "We are pleased that high-impact exploration close to our acreage could add further regional value to Parkmead's assets, at no cost to our company," he said.