

Block Energy PLC

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Block Energy confirms significant oil and gas shows as West Rustavi sidetrack drilling completes

Block Energy PLC (LON:BLOE) has announced the completion of drilling in the West Rustavi Well 16a, which has encountered significant oil and gas shows.

The company, in a statement, said that the well reached a total drilled depth of 2,659 metres, following successful horizontal sidetracking operations. Significant oil and gas shows were observed in the upper and middle Eocene formations, and, testing is due to start later this week.

WATCH: Block Energy's 'game-changing' move to fully acquire West Rustavi. The group aims to increase Block's gross production by 325 barrels of oil per day, which would correspond to an additional free cash flow of some US\$3.6mIn a year.

Now, the company will also move on to the next sidetrack candidate - it said it has primed the nearby Well 38 for the next programme.

Block noted that it is advancing the sidetrack campaign at West Rustavi in parallel with its ongoing multi-well workover programme at its Norio field, where it is incrementally increasing output from existing wells.

It recently announced that production from Norio had increased four-fold to 60 bopd, and, as operations continue it is moving towards the company's breakeven production marker of 100 bopd.

'Critical Milestone'

Chief executive Paul Haywood described the West Rustavi well target of 325 bopd, as a "critical milestone" and said that the project presents "company-making potential".

"Achieving our forecast of a 325 bopd production rate at 16a would move the company well above its corporate production breakeven rate, generating total free cash flow (including both Norio and West Rustavi) of USD 4.5m per annum at USD 60/bbl Brent," Haywood said.

"We also look forward to appraising West Rustavi's legacy gas discovery."

Block recently consolidated its position at West Rustavi, with a transaction with its partner, that gives the AIM-quoted company full ownership of the asset.

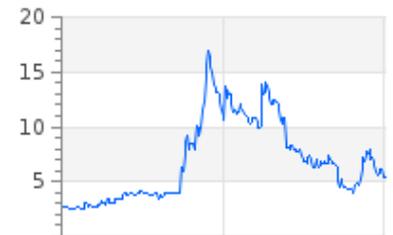
Haywood highlighted: "Our move to a 100% WI in West Rustavi gives us complete freedom to manage the permit's tremendous natural gas potential, which if successfully developed would offer netbacks of approximately US\$2.5 per thousand cubic feet.

"We have already signed an offtake agreement with an established Georgian gas trader able to support our ambitions for the field.

Price: 5.45

Market Cap: £21.45 m

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: BLOE

Listing: AIM

52 week	High	Low
	17.5	2.1

Sector: Oil & Gas

Website: www.blockenergy.co.uk

Company Synopsis:

Block Energy is an AIM-listed asset-backed revenue generative junior oil and gas company aiming to capitalise on first mover advantage to build the largest independent producer in Georgia, a proven but underdeveloped oil producing nation increasingly on the radar of the majors. Schlumberger, the world's largest oilfield services provider, recently acquired a strategic position in the country.

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"We look forward to updating the market on our test results at 16a and our broader development programme."

Result shows promise

In a note to clients, analysts at SPAngel commented: "The disclosure of the results of the West Rustavi horizontal leg shows promise. However, what will be required is a better understanding of the longer-term flow characteristics."

"Nevertheless," they added, "today's news is a positive because not only has the well been completed on time and budget, but without much fuss, which will be essential if it is to be the chosen development scenario."

In afternoon trading, shares in Block Energy were 1.3% lower at 3.95p.

-- Adds analyst comment, share price --

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