

It is unlikely that very many private investors will have the gumption for physical crude trading.

Most suit and tie oil traders will be prepared to deal in oil futures and an array of other derivative contracts. This is an often volatile market and essentially a 24-market not for those with feint hearts or shallow pockets.

Equity investing

Equity investing offers a more accessible and diverse way to play the petroleum market and globally there are many quite different opportunities to invest.

From taking long-term portfolio holdings of majors BP PLC (LON:BP), Royal Dutch Shell Plc (LON:RDSB), Woodside Petroleum Limited (ASX:WPL) or Santos Ltd (ASX:STO) shares to leveraged CFD trading positions 'seat of the pants' exploration stocks, and, everything else in between, there are avenues for most risk appetites.

With the juggernauts investing is all about income and that's why these companies have fought hard in recent years, including deploying asset sales and cost cutbacks, to maintain dividends against a backdrop of lower oil prices.

2019 saw a turnaround in prices and this had an impact on cash flow generation, which tended to serve the Big Oil stocks well along with their 'slow-and-steady' income investors.

London premier market

At the other end of the scale, London is arguably the premier market for smaller oil and gas stocks and is where you'll find petroleum executives with bright ideas and a need for capital.

London's investment community is rather robust and knowledgeable when it comes to oil and gas prospecting - and that's one of the reasons the world's explorers tend to list there.

The shareholder registers of preferred players most likely comprise a good mix of prestige institutional investors, deep-pocketed hedge funds, private equity and frequently a depth of highly engaged private investors.

The latter group are often the most susceptible to the ambitious and seemingly compelling forward-looking statements that flow out of small cap boardrooms.

Although companies are an awful lot smaller in terms of capital, headcount and operational capacity, ambition and salesmanship are definitely not in short supply.

Put simply, this is the business of finding new hydrocarbon resources and it's most often done by small companies set-up to risk their very existence in the pursuit of new discoveries.

In rudimentary terms, the idea is to make an educated guess where the oil or gas may exist and then drill a hole to prove it, which is much easier said than done.

Successful explorers reward their investors handsomely. This is a binary business. And, it is not particularly uncommon for a small cap oil speculator to double or even triple their initial capital investments.

At the same time, a well failure can decimate a trading position and, moreover, a bad enough well result can take down a company in its entirety.

ASX players

Smaller ASX-listed companies have been attracting increased attention during the past 12 months, in particular Carnarvon Petroleum Limited (ASX:CVN), which is in partnership with Santos to develop the Dorado discovery on the North West Shelf, offshore WA.

Other interesting ASX players with diverse involvement in the sector in various global locations are Buru Energy Limited (ASX:BRU), High Peak Royalties Ltd (ASX:HPR), Po Valley Energy Limited (ASX:PVE), Ansila Energy NL (ASX:ANA),

FAR Ltd (ASX:FAR), Emperor Energy Ltd (ASX:EMP), Whitebark Energy Ltd (ASX:WBE), Brookside Energy Ltd (ASX:BRK) and Bass Oil Ltd (ASX:BAS).

Typically, these companies are independent and are generally not integrated. Most have a spread of assets including producing fields, field development projects, royalties, proven but undeveloped discoveries and greenfield exploration ventures.

Such companies are valued based on the cash flow they generate and the (risk discounted) barrels that are proven in the ground. Whilst exploration potential very much remains a relevant and attractive factor for investors, it is not what underpins the share price.

Exploration risk is often shared through multi-partnered ventures, and, the negative impact of bad results dissipates more easily because the portfolios already hold material proven assets.

Although it is fair to conclude that small cap exploration isn't the investment arena for the widows and orphans fund, there are opportunities in this sector and 2020 appears to be an important period for all.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of Bass Oil Ltd named herein, including the promotion by the Company of Bass Oil Ltd in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to Twenty Five Thousand dollars (\$25,000).