

Baron Oil Plc

Stock Data

Share Price: 0.07p
Market Cap.: £3.1m
Shares in issue: 4,426.4m

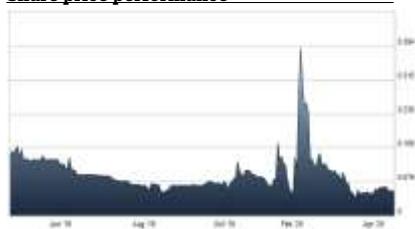
Company Profile

Sector: Oil & Gas
Ticker: BOIL
Exchange: AIM

Activities

Baron is a junior E&P company with a focus on exploration and appraisal projects in Timor Leste, Peru and the UKCS.

Share price performance



Source: [London Stock Exchange website](#)

Past performance is not an indication of future performance.

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Baron has executed a Shareholder's Agreement (SHA) with SundaGas Resources Pte. Ltd (SundaGas) governing the operation of SundaGas (Timor-Leste Sahul) Pte. Ltd (SundaGas TLS) in which Baron now holds a 33.33% interest. SundaGas TLS's sole asset is a 100% shareholding in SundaGas Banda Unipessoal Lda., which is the operator of the TL-SO-19-16 Production Sharing Contract (PSC), otherwise known as the 'Chuditch' PSC in Timor Leste. SundaGas Banda Unipessoal holds a 75% interest in Chuditch providing Baron with an indirect interest of 25% in the PSC.

Following the announcement of the initial terms of the Carry Agreement between Baron and SundaGas executed on 27 January 2020, Baron has paid US\$521,149 to SundaGas to reimburse it for Baron's 33.33% share of costs incurred since the Chuditch PSC was signed on 8 November 2019.

This sum includes Baron's 33.33% share of a US\$1.0m bank guarantee and subscription for 3,333 shares in SundaGas TLS representing 33.33% of the share capital of that company. Baron will maintain its 33.33% interest in SundaGas TLS by continuing to pay 33.33% of the costs incurred on the PSC through additional investment in SundaGas TLS.

As noted above, Baron's 33.33% in SundaGas TLS is equivalent to an indirect 25% interest in the Chuditch PSC after accounting for the 25% carried interest of the state oil company of Timor-Leste, TimorGAP.

Early work commitments on the Chuditch licence are not particularly onerous. SundaGas is progressing with initial work commitments to reprocess existing 2D and 3D seismic data over the Chuditch area. As this is mostly desk based work, the programme is largely unaffected by the current coronavirus pandemic related restrictions. However, the company notes that gaining access to the necessary data is being delayed at present. Subject to satisfactory results from the seismic reprocessing work, the current PSC has a commitment to drill a well in the third year of the Initial Term of the PSC.

The Chuditch PSC is located c.185 km south of the Timor-Leste and c.100 km east of the producing Bayu-Undan field. The PSC covers 3,571 km² in shallow water depths of 50-100m. Within the acreage is the Chuditch-1 gas discovery, drilled by Shell in 1998. This well encountered a 25m gas column in the Jurassic Plover formation on the flank of a faulted structure and Shell's mapping of available seismic data suggests that the Chuditch area could contain substantial quantities of recoverable gas.

Early resource estimates by Shell pertaining to several structures within the Chuditch PSC, termed the 'Greater Chuditch' area indicate total gross mean gas in place (GIIP) of 2.3 TCF. With recovery rates expected to be in the range 55%-75%, gross mean recoverable gas estimates are in the range 1,276 BCF to 1,740 BCF, considered by Baron to represent internal prospective resource estimates until a formal CPR is available.

Although the oil industry is currently in turmoil in regard to the extreme volatility of global crude prices, we believe that Baron is in a relatively solid position. The company's work programmes in Timor-Leste, Peru and the UK are funded in 2020 and into early 2021 as a consequence of a successful £2.5m fund raise in Q1 2020. In particular, Baron is in the early stages of exploration activity in Timor-Leste with no appraisal drilling anticipated until 2022 at the earliest under the terms of the PSC. Looking forward, the potential development of Chuditch will be dependent more on regional gas pricing mechanisms than global oil prices, providing the company with a significant degree of protection from volatile commodity markets in the future.

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