Rose Petroleum plc

Rose has announced a maiden contingent resource attributed to its acreage in the Paradox Basin, Utah. Gaffney Cline & Associates (GCA) has published a Competent Persons Report (CPR) focused on a single reservoir unit within the scope of Rose's recently completed 3D seismic programme. Consequently, GCA has ascribed net 2C contingent resources of 12.3 mmboe to an area of c.17,250 acres out of Rose's total acreage position of c.80,000 acres.

Rose completed a 3D seismic acquisition programme in late 2017 covering an area of approximately 17,250 acres of the company's total acreage position of c.80,000 acres. GCA has subsequently completed a CPR focused on a single reservoir unit (Clastic 21) within series of multiple prospective reservoirs of the wider Paradox Formation.

To the Clastic 21 reservoir within the scope of the 3D survey only, GCA has ascribed a gross maiden 2C contingent resource of 15.6 mmbbls of oil within a 1C to 3C range of 5.1 mmbbls to 31.5 mmbbls. There is also a substantial 2C gas resource within Clastic 21 estimated to be 31.2 BCF gross (1C to 3C range is 6.1 BCF to 110.2 BCF).

Net to Rose's expected 75% working interest and after the application of hydrocarbon production royalties, GCA has ascribed Rose net 2C contingent resources of 12.3 mmboe comprised of 9.25 mmbbls of oil and 18.5 BCF of gas. Rose possesses potential 3C resource upside of 18.7 mmbbls of oil and 65.3 BCF of gas net to the company. In potential value terms, GCA has ascribed a pre-tax NPV of $122.4m for Rose's working interest which is adjusted to $86.9m after the application of state and federal taxation.

We understand this calculation to be based on a successful 2/3 well appraisal programme followed by a full development programme of 38 horizontal wells in the best case scenario. The CPR factors in a 75% success rate for the well programme with each well expected to recover up to 550,000 bbls over its productive life. Oil prices have been assumed at a $10 discount to WTI for crude and a $0.50 discount to Henry Hub for gas production.

The primary cost of a notional development programme is likely to be drilling costs, which GCA has estimated at $7m per horizontal well although we believe that the long run unit cost per well could be less than this as Rose would benefit from economies of scale derived from a multi-well drilling campaign.

We believe that there could be significant resource upside on Rose's wider acreage position. In particular, the management believes that the Clastic 21 reservoir covers up to 37,000 acres implying a doubling of the existing resource estimate if extrapolated beyond the relatively limited 3D seismic coverage area.

A 2014 CPR by Ryder Scott Company estimated that Rose's full acreage position contained unrisked P50 prospective resources of nearly 1.0 billion bbls of oil and 1.9 TCF of gas over 15 separate reservoirs. With a valuable contingent resource already ascribed to a single reservoir within an area equivalent to less than a quarter of Rose's entire acreage position, we infer from the GCA CPR that there could be substantial upside outside the boundaries of the existing 3D seismic survey and also within shallower reservoirs. With the prospect that appraisal drilling will be able to augment contingent resources significantly, we are confident that the confirmation of a maiden resource will accelerate Rose's efforts to expedite a pre-drill farm-out.

Stock Data

Share Price:	3.45p
Market Cap:	£4.9m
Shares in issue:	143.4m

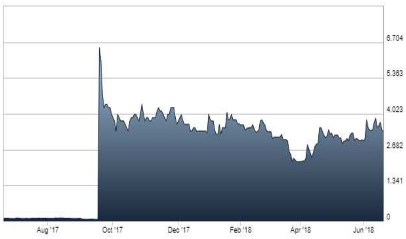
Company Profile

Sector:	Oil &Gas
Ticker:	ROSE.L
Exchange:	AIM

Activities

Rose is a junior oil and gas E&P company with a core focus on oil and gas interests in the Paradox Basin, Utah, USA.

Share price performance



Source: LSE

Turner Pope contact details

Turner Pope Investments (TPI) Ltd
6th Floor
Becket House
36 Old Jewry
London
EC2R 8DD

Tel: 0203 621 4120
Email: info@turnerpope.com
Web: www.turnerpope.com

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Barney Gray **Research analyst**
Tel: 0203 621 4120
barney@turnerpope.com

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