

Columbus Energy Resources

Oil & gas
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Management and strategy changes

Columbus Energy Resources (CERP) has a new name, new management and new strategy. Leo Koot, an experienced and well respected CEO, has joined the company to reassess and revitalise the assets in Trinidad, bringing in new personnel. Management overheads have already been cut and a programme of in-fill wells has been put on hold. Instead, a series of low-cost interventions should increase production in the short term, moving the company towards a virtuous cash flow circle; we should see the results of the initial work programme in Q417. Any cash flow can be recycled into further development and potentially fund a material exploration programme, which could be game changing (SWP holds an estimated 1.3bn bbls OIP across a number of targets).

New name, CEO, MD Trinidad, CFO and strategy

Leo Koot is a trained Petroleum Engineer (training at Shell) and well-regarded CEO, having successfully built TAQA's North Sea operations from scratch to over 65,000bopd and \$1.7bn in annual revenues. To take the position at CERP (formerly LGO Energy), he clearly sees potential in the assets. The new MD of Trinidad (Stewart Ahmed) has 32 years' experience and has particular expertise in waterflooding. Their combined expertise has already made a material difference.

Goudron production increase targets cash breakeven

Goudron is currently producing between 380-420bopd, which is not enough to cover production and central costs. However, with management costs falling, only a small increase in production will be required to generate free cash flow. A water injection programme has been accelerated, smart pumps are being installed and a well stimulation programme is planned. Additionally, CERP is awaiting government renewal of the BOLT licence, where it is targeting future exploration.

Asset summary

CERP operates Goudron, a shallow reservoir with 555mmbbls OIP. Production so far has only recovered c 1% and comes from two intervals: a shallow Mayaro horizon which is relatively homogeneous (new wells produce 45bopd initially), and the deeper c-sands that produce more initially (over 200bopd) but are more heterogeneous, decline faster and are more expensive to drill. The challenge is to provide sustained pressure support as the reservoir's shallow nature means production tends to decline quickly naturally. At the South West Peninsula, the company holds a range of interests in three licences, with two fields which currently have limited production. However, CERP is excited by the exploration potential and is working on maturing prospects in an area with an estimated 1.3bn bbls OIP. The company had net debt of £0.0m at end 2016 and raised £2.5m in March.

Historical financials

Year end	Revenues (£m)	PBT* (£m)	Cash from operations (£m)	Net (debt)/cash (£m)	Cash from investing (£m)
12/15	9.5	(11.5)	(2.8)	(3.1)	(8.1)
12/16	4.5	(11.9)	(4.3)	(0.0)	(0.3)

Source: Company accounts

Price 2.45p
Market cap £13m

Share price graph



Share details

Code CERP
Listing AIM
Shares in issue 539.2m

Business description

Columbus Energy Resources is an AIM-listed, Trinidadian-focused producer. Its main asset is Goudron field, where it is producing around 400bopd.

Bull

- New management has a track record in growing and managing small, mid and large businesses.
- Current low recovery factors suggest significant potential upside at Goudron.
- Low costs indicate high returns for increasing production.

Bear

- Company is not yet cash flow break-even.
- Chequered history may deter some investors.
- Current low market cap and low liquidity.

Analysts

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