

JKX June output falls, fracturing at biggest Ukraine field disappoints

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Posted by:

Posted on : 2017/7/13 16:18:24

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KYIV, July 13, 2017 - JKX Oil & Gas produced 7,667 boepd of hydrocarbons in June, according to its July 13 filing, Concorde Capital informed clients in an online advisory today. This is a 2% m/m drop and about a 27% yoy plunge. The key factor was falling production in Ukraine (-10% m/m to 3,443 boepd), of which a third of the decline the company attributed to a workover of its 6R well at Rudenkivske field (the well was commissioned in mid-April). What's more, the company reported disappointing fracturing results at four wells in its Rudenkivske field, the company's biggest Ukrainian asset in terms of 2P reserves. JKX reported on the presence of unexpected water-bearing zones here, while claiming it got enough information to more accurately target gas-bearing zones at this deposit. In Russia, JKX managed to boost its output 7% month-on-month to 4,119 boepd (which is still 34% less yoy, we estimate) due to the completion of a workover at well #27. In Hungary, JKX's only well continued to reduce its output in June (to 104 boepd, -31% m/m). In 1H17, JKX produced 8,598 boepd of hydrocarbons, or a 17% yoy drop. The decline was in both its key regions, Ukraine (-8% yoy to 3,766 boepd) and Russia (-25% yoy to 4,654 boepd). Concorde analyst Alexander Paraschiy added: "The results in Ukraine are of no surprise as May's production report indicated that JKX's output at its Rudenkivske field had fallen significantly. The poor fracturing appraisal results at Rudenkivske only confirm our previous concerns. It's apparent at this stage that this field is harder to operate than the company initially assumed, which means the field's 2P reserves may have been overestimated. "The only bright spot is JKX's Russian subsidiary, which should boost its production in July, as the company hinted by reporting that it has completed the workover of another well here, #25. "We remain cautiously skeptical about JKX's future, still hoping that the introduction of modern Western technologies at its Ukrainian fields will help the company turn around. At the same time, the company's tax debt issue in Ukraine remains the biggest concern to us."

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