

# Pantheon Resources

## Oil and Gas, Exploration and Production

UK Equity Research  
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## Successful drilling results in Alkaid #2 pilot hole

### Canaccord Genuity view

Pantheon's summer operational programme on its 100%-held projects on the Alaska North Slope (ANS) has got off to a very upbeat start. The Alkaid #2 pilot hole has delivered positive results across all three of its target zones, the Shelf Margin Deltaic (SMD), the Alkaid anomaly (previously tested in Alkaid #1) and the Deep Alkaid potential (not fully penetrated in Alkaid #1).

There's still a wealth of data to evaluate - logging, sidewall cores, and volatiles sample analysis - but several important positive observations can be made already.

- Multiple oil-bearing reservoirs, >1,400ft gross thickness across all three target formations.** Clearly very encouraging with better/thicker reservoir than pre-drill expectations. Confirmation that: the SMD extends from Talitha #1 that lies to the SW; the Alkaid anomaly found at Alkaid #1 c.4 miles away is present more regionally; hydrocarbons are present below deepest interval drilled in Alkaid #1.
- Confirmation of Pantheon's interpretation.** The company's technical analysis - integration of the wells drilled so far with the 3D seismic data, informed by regional geological understanding - is robust and reliable in terms of subsurface evaluation.
- Initial data analysis suggests a further uplift in oil resource volumetrics.** First look interpretation of the extensive Alkaid #2 well information indicates improved reservoir parameters and additional reservoir intervals that may lead to a substantial bump in oil volume estimates.

Put simply, and in combination with previous wells at Talitha and Theta West, the company's acreage is awash with subsurface oil. The next and most important stage is the drilling of the horizontal well section in Alkaid #2 and its long-term testing to operationally demonstrate commercial potential.

### Alkaid #2 pilot hole results

The slightly deviated pilot hole reached total vertical depth (TVD) at 8,584ft (8,950ft measured depth, MD).

Multiple oil bearing reservoirs were found in all three target zones in the well.

The company believes those oil bearing reservoirs extend below TD, but the well was terminated above an anticipated high pressure zone.

Better than pre-drill expected porosities/thicknesses across the reservoirs suggest resource upgrades in due course.

### Valuation, target price and rating

We leave our SPECULATIVE BUY rating 300p target price unchanged. Our TP is based on a highly risked evaluation of the market value of the >2 billion recoverable oil potential that Pantheon has already identified, and we leave that unchanged given the still early stage in Alkaid #2 data assessment and the wider resource commercial evaluation. Nevertheless, we see the Alkaid #2 pilot hole result as an important step in derisking the various reservoirs and helpful in terms of market trajectory ahead of the well testing.

### Alkaid #2 next steps

Pantheon will now sidetrack the well, drilling a horizontal section through the Alkaid anomaly. That is expected to be several thousand feet in length, but shorter than potential full development horizontal sections of c.8,000ft.

The reservoir will be cased, stimulated, and put on long-term test, with oil trucked for input to the TAP and sold.

We would not expect drilling results before end August ahead of testing starting in October. The company currently models 150 bopd/'000ft horizontal in Alkaid.

Rating  
**SPECULATIVE BUY**  
unchanged

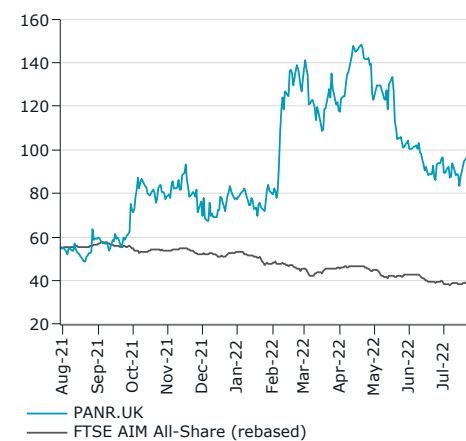
Price Target  
**300p**  
unchanged

PANR-AIM

Price  
**102p**

### Market Data

52-Week Range (p) :	47 - 153
Avg Daily Vol (000s) :	5,279
Market Cap (£M) :	783.2
Shares Out. (M) :	764.9



Priced as of close of business 28 July 2022

Pantheon Resources is focused on its Alaska North Slope Appraisal assets where it has large scale development potential, focused on the Theta West, Greater Alkaid, and Talitha projects.

Figure 1: Pantheon Resources – NPV10 sum of parts valuation (Brent \$80/bbl long term)

Asset	Est. Gross Rec. Res (mmbbls)	Net WI (%)	Est. Net Rec. Res (mmbbls)	Valuation			Net Risked Valuation			Net unrisks Valuation		
				Resource (\$/bbl)	Unrisks (\$m)	CoS (%)	(\$m)	(£m)	(p/sh)	(\$m)	(£m)	(p/sh)
<b>Financials</b>												
Cash YE21E					92.7	100%	93	74	9	93	74	10
G&A					-10.0	100%	-10	-8	-1	-10	-8	-1
Warrants/Options					14.2	100%	14	11	1	14	11	1
Short term debt facility					-1.5	100%	-2	-1	-0	-2	-1	-0
Convertible bonds loan outstanding at YE21E					-55.0	100%	-55	-44	-5	-55	-44	-6
<b>Net Financials</b>					<b>40</b>		<b>40</b>	<b>32</b>	<b>4</b>	<b>40</b>	<b>32</b>	<b>4</b>
<b>Total Core Producing value</b>					<b>40</b>		<b>40</b>	<b>32</b>	<b>4</b>	<b>40</b>	<b>32</b>	<b>4</b>
<b>Total Core Producing and Development</b>					<b>40</b>		<b>40</b>	<b>32</b>	<b>4</b>	<b>40</b>	<b>32</b>	<b>4</b>
<b>Appraisal</b>												
Alkaid Deep - 2C	77	100%	77	11.3	867	64%	555	444	54	867	694	91
Alkaid Shallow - SMD (B zone)	404	100%	404	8.7	3,505	48%	1,683	1,346	163	3,505	2,804	367
Talitha - SMD (A+C zones)	200	100%	200	8.7	1,735	25%	434	347	42	1,735	1,388	182
Talitha - Kuparuk	341	100%	341	8.7	2,959	25%	740	592	72	2,959	2,367	309
Theta West - Upper Basin Floor Fan	210	100%	210	8.7	1,822	30%	547	437	53	1,822	1,458	191
Theta West - Lower Basin Floor Fan	1,780	100%	1,780	8.7	15,445	30%	4,633	3,707	450	15,445	12,356	1,615
<b>Appraisal value</b>	<b>3,012</b>		<b>3,012</b>	<b>8.7</b>	<b>26,334</b>		<b>8,591</b>	<b>6,873</b>	<b>834</b>	<b>26,334</b>	<b>21,067</b>	<b>2,754</b>
<b>Central value</b>	<b>3,012</b>		<b>3,012</b>		<b>26,374</b>		<b>8,632</b>	<b>6,905</b>	<b>838</b>	<b>26,374</b>	<b>21,099</b>	<b>2,758</b>
<b>Total Value</b>	<b>3,012</b>		<b>3,012</b>		<b>26,374</b>		<b>8,632</b>	<b>6,905</b>	<b>838</b>	<b>26,374</b>	<b>21,099</b>	<b>2,758</b>
<b>2022 programme - Alkaid + Talitha + Theta West</b>			<b>2,671</b>	<b>1.3</b>	<b>3,472</b>	<b>90%</b>	<b>3,124</b>	<b>2,500</b>	<b>303</b>	<b>6,195</b>		

Source: Company reports, Canaccord Genuity estimates

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Date and time of first dissemination: July 29, 2022, 02:13 ET

Date and time of production: July 29, 2022, 02:13 ET

### Target Price / Valuation Methodology:

Pantheon Resources - PANR

DCF NPV10 risked sum of parts valuation of the independent assessed resources only in three projects in Alaska.

### Risks to achieving Target Price / Valuation:

Pantheon Resources - PANR

**Subsurface:** While Pantheon has access to comprehensive geological, geophysical, and petrophysical data, and to both internal and external technical expertise, there remains a risk that the subsurface may be more complex and less prospective than the company anticipates. That may result in lower valuations of the primary projects, Theta West, Greater Alkaid and Talitha, and the potential for those projects to be sub-commercial depending on the mix of oil prices, services costs, and well performance.

**Infrastructure:** A key plank in the ability to commercialise any of the Theta West, Greater Alkaid, and Talitha projects rests on the timely ability to access TAPS. While we currently see no impediment to this, the detail of a potential 'hot tap' tie-in to TAPS is not yet fully established.

**Oil price:** We model our valuations at long run Brent \$80/bbl (WTI \$77/bbl). However, the outlook presents considerable oil price uncertainty and that may have a material impact on valuation. Near and long-term oil price volatility could have a significant impact on project value, industry appetite, and market sentiment.

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#### Global Stock Ratings (as of 07/29/22)

Rating	Coverage Universe		IB Clients
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	948*	100.0%	

\*Total includes stocks that are Under Review

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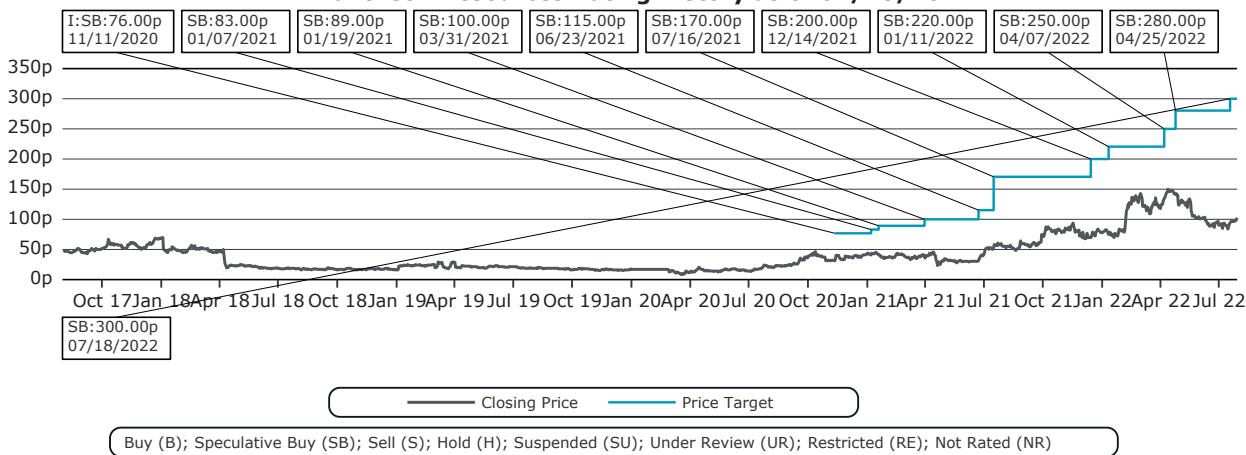
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**Pantheon Resources Rating History as of 07/28/2022**



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