

Beaufort Securities Breakfast Alert TomCo Energy

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Company News

TomCo Energy (LON:TOM) – Hold

TomCo Energy announced that the Utah Division of the Oil, Gas and Mining (DOGGM) approved TomCo's Notice of Intention to commence large mining operations. However, the mining processes may begin only when a reclamation surety is submitted to the DOGM and Red Leaf Resources (the company's technology provider) supplies the Early Production System capsule technology. The company has successfully obtained the first of the three major permits required under Utah State law to commence production at the Holliday Block.

Our view: The receipt of the DOGM approval marks an important milestone for the permitting process of the Holliday oil shale project. However, the company's future plans have been put on hold until Red Leaf completes the construction of the economic and eco-friendly Early Production System capsule system, which has been extended to the second half of 2016 due to the low oil price. Moreover, as per the reclamation surety the company must provide financial guarantee for reinstating the land to its original state after the completion of the mining operations. The company does possess a promising asset but the current scenario of declining oil prices and technology unavailability add quite a bit of uncertainty to the future prospects. Thus in view of the mixed outlook, we downgrade the company to a Hold for now.