

Deutsche Rohstoff AG: Corporate update

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Oil and gas production from Olander pad resumed and new wells starting in February

Mannheim. At the beginning of the year, [Deutsche Rohstoff AG](#) provides an overview of developments in the Group, its subsidiaries and individual shareholdings.

The US oil price WTI, which recently rose to over USD 50, represents an important component for the expansion and resumption of production and significantly increases the ability to plan further development of the US subsidiaries. Overall, [Deutsche Rohstoff AG](#) plans a net production of 5,700 to 6,300 barrels of oil equivalent per day (BOEPD) and 2,300 to 2,600 barrels of oil per day (BOPD) respectively from the existing wells in the course of 2021. Wells under development and planned wells are not part of this forecast.

For 2021 hedging contracts for around 45% of the expected production have been executed. The hedged price is around USD 45/barrel. Further hedging contracts are being added on an ongoing basis.

Cub Creek Energy resumed oil and gas production from the Olander pad as planned at the beginning of the year. It had been completely shut in during the price decline last year. For the current year, management is planning average gross daily production of around 2,200 barrels of oil from the Olander well pad, which could be adjusted up or down depending on the oil price level.

The older Vail, Markham, Haley and Litzenberger well pads have already been producing around 1,000 BOPD (gross) since the beginning of October and are in line with expectations.

It is anticipated that Cub Creek will drill new wells from the Knight pad beginning in February. Up to 12 wells with 2.25 miles of horizontal length are possible. Whether all 12 wells will be drilled depends largely on further oil price developments. Production for the new wells is expected to start in the 4th quarter of 2021.

Bright Rock Energy is currently producing approximately 400 BOEPD from its existing wells in Utah and newly acquired wells in Wyoming. The newly acquired wells in Wyoming account for about half of this total.

In June 2020, Bright Rock completed the acquisition of approximately 30,000 acres of acreage in the Powder River Basin in Wyoming. Due to the price increase, the economics of the acquisition are already exceeding expectation as of the time of acquisition.

Bright Rock is currently planning a drilling program and numerous additional drilling permits for further development of the acreage. The drilling program is expected to commence with at least one well in 2021. In total, the acquired areas offer potential for up to 100 wells, the economic potential of which is to be confirmed by the first drilling program.

Other Powder River Basin operators such as EOG Resources and Devon Energy recently announced numerous wells with initial production well above 1,000 BOEPD and expect to reduce drilling costs by approximately 20% compared to 2019.

Elster Oil & Gas continues to produce on schedule. Current net production is around 850 BOEPD (375 BOPD). The company has no drilling commitments or liabilities and is delivering steady free cash flow net of all costs, which was approximately USD 7 million in 2020.

Almonty Industries

The investment Almonty Industries (WKN: A1JSSD; ISIN: CA0203981034) had announced in early December that it had signed the project financing with KfW-IPEX Bank for USD 74 million for construction of

the Sangdong mine in South Korea. Almonty's existing production from mines in Portugal and Spain will multiply when Sangdong comes on stream from late 2022. The buyer of the additional tungsten concentrates, the Plansee Group from Austria, will provide guarantees of around USD 30 million in connection with the financing. At the end of the year, [Deutsche Rohstoff AG](#) co-subscribed to a capital increase at Almonty. It is expected that the necessary equity contribution for project financing will be available in the 1st quarter. Work on the mine in South Korea is already underway.

The Almonty share gained around 52 percent last year. [Deutsche Rohstoff AG](#) sees considerable further potential, as Sangdong not only represents the most promising tungsten mine in the world, but also has a molybdenum deposit with high grades. Both metals are considered critical for many new industrial applications, but are currently supplied mainly from China. Prices for almost all industrial metals, including tungsten, have increased in recent months.

Gold portfolio and oil and gas portfolio

In the context of the Corona crisis, [Deutsche Rohstoff AG](#) built up a portfolio of liquid equity and bond investments in mining companies, especially gold, and oil companies. The portfolio has developed very positively.

From the portfolio built up from March onwards, in 2020 profits of EUR 3.5 million have already been realized. Currently, there are unrealized profits in the amount of approx. EUR 8 million.

Review 2020

In 2020, the Deutsche Rohstoff Group sold a total of around 700,000 BO, realizing an average oil price after hedges of USD 54/barrel. The average WTI price last year was around USD 39/barrel. These figures show that our good hedge book and reduction of production prevented us from having to sell production at the sometimes dramatically low levels seen during the year.

The current forecast for the 2020 consolidated result continues to assume EBITDA of EUR 23 to 26 million, sales of EUR 37 to 40 million and a consolidated loss of EUR 15 to 18 million, with a pre-tax effect of EUR 17.2 million from non-cash impairments.

Thomas Gutschlag, CEO of [Deutsche Rohstoff AG](#), commented: "Overall, we have had a good start to 2021, especially as the US oil price has risen above USD 50/barrel at the beginning of the year. We are also optimistic about prices for the rest of the year. We have therefore decided to increase our production significantly in the short term. We also continue to see improved chances for the metal sector."

Mannheim, 12 January 2021

Deutsche Rohstoff identifies, develops and sells attractive raw material deposits in North America, Australia and Europe. The focus is on the development of oil and gas deposits in the USA. Metals such as gold and tungsten complete the portfolio. Further information can be found at www.rohstoff.de

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