Party At The Pantheon…

Our largest portfolio holding, Pantheon Resources (PANR) jumped roughly 30% yesterday on news that recent flow testing at its Talitha #A resource came in even better than expected.

According to PANR, Talitha #A, which is part of the Lower Basin Floor Fan, produced at an average rate of 73 b/d over a three-day test period (here's a link to the press release).

The purpose of this test was threefold (1) to show that reservoir pressure could move the oil up the wellbore (2) prove the oil is mobile within the reservoir and (3) get a read on the absolute value of the flow.

On these fronts, the test was a total success. This is a really exciting development considering Talitha #A is located in a suboptimal distal well location within the Lower Basin Floor fan. And the Lower Basin Floor Fan has an estimated recoverable 1.2 billion barrels of oil.

Despite the recent jump in share prices, the outlook for PANR remains extremely asymmetric to the upside. Here's the quick and skinny on why that is.

- **Fundraise/dilution risk is in the rearview:** Since PANR is a preproduction asset, the risk was that the company would do a farm-out before the real value of its assets had been uncovered. But the company announced a $70mn fundraising in December, which was oversubscribed and ended up bringing in $96mn ($41mn equity & $55mn convertible bond). This covers over 4-years of current operating costs and thus cancels the risk of large dilution or a premature farm-out going forward.
- **Game-changing strategic resource:** PANR has a 100% working interest in an enormous oil resource (estimated 17 billion barrels of OIP & over 2 billion barrels of recoverable oil) spanning over 150,000 acres on the Alaskan North Slope, which importantly is on state and not federal land, and is situated directly next to key infrastructure (Dalton highway and Trans Alaska Pipeline system). This is one of the largest oil discoveries in decades, making it a strategic asset.
- **Massive pricing-to-reality gap:** PANR's current £887mn market cap implies the market is valuing PANR's oil at roughly $0.60 a barrel. For comparison, recent acquisitions of comparable assets have paid well over $3.00 per bbl, meaning an easy 2-3x more upside assuming the price of oil doesn't keep running higher.

PANR will be drilling and testing its core resource base throughout the year. This means we should expect more positive news/catalysts to come down the pipe as the company looks to significantly derisk 1.9bn bbls of recoverable oil. The company is currently testing its Theta West Well, which is the crown jewel of its holdings, and if testing goes well, it has the potential to materially change the US energy landscape.

PANR will eventually farm out, but its successful fundraise in Dec puts the company in a serious position of strength. It has the balance sheet to support the necessary CAPEX to test, confirm, and fully explore the full value of its resource base. So when the time comes, it'll be able to sell at multiples higher than where the price of the company is today.

Your Macro Operator,

Alex

P.S. I want to give a BIG thank you to the Collective member who first shared this opp with me last year. I owe you some drinks!