

# [***The Most Important Oil Find Of The Next Decade Could Be Here***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:61S4-63Y1-DXP3-R47V-00000-00&context=1516831)

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**Body**

PR Newswire

- FN Media Group Presents Oilprice.com Market Commentary

Oil discoveries are on the decline, but with prices bouncing back, junior explorers are quickly becoming the talk of the town. Especially those with a presence in Africa, which may just be one of the most exciting oil frontiers on the planet. Mentioned in today's commentary includes: Marathon Petroleum Corporation(NYSE: MPC),Valero Energy Corporation(NYSE: VLO),Phillips 66(NYSE: PSX),Canadian Natural Resources Limited(NYSE: CNQ),TC Energy Corporation(NYSE: TRP).

Reconnaissance Energy Africa(RECO.V;RECAF) is a small $300 million company that has secured petroleum licenses for an entire sedimentary basin in Namibia and Botswana...two extremely resource-friendly countries with very low royalties fees.

This basin – as deep as the Permian – could prove to be one of the world's last-ever giant onshore oil discoveries.   And as a new basin, the potential is likely for Conventional Oil and Gas.  No Fracking, normal production profiles, low water requirements which means low cost per barrel. And Recon Africa has secured the petroleum licensing rights to theentire basin.

With one of the world's largest onshore, undeveloped hydrocarbon basins – whose potential has been analyzed and acknowledged by some of the industry's most sought-after experts – the oil that is hoped to be discovered by Recon Africa could ultimately prove to be worth tens of billions.

With drilling now underway, it's unlikely that this company remains under-the-radar for much longer – and the world will be very interested to learn about any major discovery made here.

The Most Exciting New Oil Frontier

Recon Africa (RECO.V;RECAF)owns the rights to a massive sedimentary basin loaded withpotentially hundreds of billions of dollars' worth of oil and gas. Under several long-term petroleum licenses, they have acquired all rights to an entire sedimentary basin in Namibia and Botswana.

The Kavango Basin is comprised of 8.75 million acres and is said to be similar in depth to the Permian. New data on the basin shows that not only is it large – it's also as much as 30,000 feet deep.  The Kavango is a rift-basin, which refers to geologically how the basin formed.  All of the major onshore oil and gas fields in sub-Saharan Africa are contained in rift basins.

The source rocks in the Kavango are believed to be the same age and quality South Africa's 600,000-square-kilometer Karoo sedimentary basin, home to Shell's massive Whitehill Permian gas play. The difference is that the thermal history in South Africa led to much higher heat flow and subsequent over-cooking that lead to only dry gas remaining. This year, armed with new data, noted source rock expert Dan Jarvie has estimated that the basin could be capable of generating100 billion-plus barrels of oil.

In November 2020, the highly respected global energy consultants at Wood Mackenzie issued a report proclaiming that the Kavango Basin "represents one of the largest onshore undeveloped hydrocarbon basins in the world."

In this report, the experts at Wood Mackenzie identified three basins that provide a useful benchmark as to what the potential for the Kavango Basin might look like...one of which was the US – Midland Basin (Permian) in Texas that has an estimated overall development value of $540 billion.

Experts Are Backing This New Oil Boom

Bill Cathey, President and Chief Geoscientist of Earthfield Technology is known as the "geological interpreter to the supergiants," as he has consulted for every oil and gas major and large independent in the business. Here's what he had to say about the Kavango Basin:

"Not only was the data on the basin some of the best he had ever seen... nowhere in the world is there a sedimentary basin of this depth that has ever failed to produce commercial quantities of hydrocarbons. "

And Cathey is not the only expert to have weighed in on the potential forReconnaissance Energy Africa (RECO.V;RECAF).

Sproule – a resource assessment company – in 2018 estimated that the Kavango Basin has a potential 18 billion barrels of oil. But noted source rock expert Dan Jarvie went even further with his projection. Jarvie has estimated Recon Africa's Kavango is capable of generating over 100 billion barrels of oil.

In addition to the expert geologists that spoken to Recon Africa's explosive potential, Haywood Securities recently issued a positive report on the company andupped its target from $2.50 to $4.00 per share.

The Haywood report proclaimed that,"With such a large potential, coupled with the early stage nature of the Company, any success from the current program could be a significant catalyst for the stock. The resulting net impact of this update is favorable to our near-term outlook of the shares. As such, we are increasing our target price from $2.50 to $4.00 and reflects a higher risked NAV given the de-risking of rig mobilization to country and onto drill site location."

Haywood Securities went so far as to include examples in its report of plays in which an initial oil discovery during the exploration phase delivered upside between 380% and 1,000%. While this apparent consensus is no guarantee of future success...it is as strong a forecast for high upside as has been seen in this space in many years.

Africa Is The Last Frontier For Oil Investors

Here's the thing to keep in mind about massive, onshore Permian-sized basins: They're not discovered often. And if they are discovered these days, it's likely in Africa – the final onshore frontier for oil explorers. After all, Africa is the only huge, underexplored venue in the world left where it's possible to have a large discovery made by a small cap exploration company.

Namibia is one of the most exciting up-and-coming African oil venues and that's precisely why companies like Shell and Exxon have been scooping up assets in the region. The location ofRecon Africa's Kavango is virtually ideal – with easy accessibility and significant exploration underway nearby involving major producers. The Kavango is part of the Karoo Group, and it's also been shown to have the same depositional ***environment*** as Shell's Whitehill Permian resource play in the main Karoo Basin in South Africa.

The Timing Is Perfect

As one might expect with such a potentially lucrative opportunity, the dominoes have already begun to fall.Recon Africa (RECO.V;RECAF)has acquired its own rig to minimize costs and to facilitate drilling schedules. The company's ownership of the Crown 750 rig is expected to reduce drilling costs by as much as 60% for its initial holes.

The size of the potential upside for Recon Africa, combined with the speed the company is executing its exploration program, means that this is not likely a scenario where investors are forced to wait for a potential payoff five years or more into the future. Positive drilling results could trigger an increase in share value – or potential partnership and acquisition news – at some point in 2021, probably making this a rare short-term opportunity with significant upside potential.

Majors Are Betting On An Oil Price Rebound

In August,Marathon Petroleum Corporation (MPC) released its Q2 earnings report, showing net loss of $750 million or $0.95 per diluted share and an adjusted net loss of $477 million, or $0.60 per diluted share. Net operating cash flow was $9 million ($86 million prior to changes in working capital), and that's coming up rather short considering that the company spent nearly $140 million on capital projects.

Since then, however, has staged somewhat of a recovery, with its share price increasing from $35 in Mid-August to $44.25 today. Though the company's rebound hasn't been particularly exciting, it's important to note that it is heavily-dependent on demand, and with lockdowns continuing across the globe, it may not get back on its feet for another few months. But when demand for refined fuel does finally rebound, Marathon will be well positioned to take advantage.

Valero Energy Corporation (VLO)is another U.S. oil company that was hit particularly hard in 2020. The company saw its share price plummet from its January price of $96 to a yearly low of $38 in March. Despite this drastic drop, however, Valero managed to keep its dividends in tact while many other industry majors cut back. Still sitting at 6.69%, Valero provides investors an opportunity to keep earning as the oil industry bounces back.

Another reason to keep an eye on Valero is its fast-growing renewable diesel operations. With the world racing towards greener pastures, Valero is adapting. And with Biden preparing to take the wheel, there could be a lot more cash flowing into renewables soon, which will be great news for Valero and its shareholders.

Phillips 66 (PSX)was another refiner that jumped into the renewable fuels hype early. Phillips 66 said in August that it plans to reconfigure its San Francisco Refinery in Rodeo, California, to produce renewable fuels. The plant would no longer produce fuels from crude oil, but instead would make fuels from used cooking oil, fats, greases, and soybean oils. Phillips 66 expects to produce 680 million gallons annually of renewable diesel, renewable gasoline, and sustainable jet fuel.

As vaccines are rolled out and the world moves past the COVID-19 pandemic, demand for oil will inevitably recover, and Phillips 66 will be one of its biggest benefactors. Since November, Phillips 66 has already seen its share price rise by more than 50%, and this is just the beginning.

While Canada's oil sector was one of the hardest hit by the oil price crisis,Canadian Natural Resources (CNQ)kept its dividend intact after swinging to a loss for the first half of the year, while Canada's producers are scaling back production by around 1 million bpd amid low oil prices and demand. Though Canadian Natural Resources kept its dividend, it withdrew its production guidance for 2020, however.

Though the Canadian energy giant has seen its stock price slump this year, it could provide a potentially opportunity for investors as oil prices rebound. It is already up over 170% from its March lows, and it could still have some more room to run.

TC Energy Corporation (TRP) is a major oil and energy company based in Calgary, Canada. The company owns and operates energy infrastructure throughout North America. TC Energy is one of the continent's largest providers of gas storage and owns and has interests in approximately 11,800 megawatts of power generations. It's also one of the continent's most important pipeline operators.

While TC Energy's stock price has yet to recover from pre-pandemic levels, it is one of the few industry giants which has managed to keep high dividends rolling in. With quarterly payouts exceeding 6%, TC has kept investors on board and its share price from falling too far. In fact, while many oil-focused energy companies saw their market caps shed as much as 50% of their value, TC Energy only dropped by 36% in from February to March 2020.

By. Timothy Mole

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Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. Recon's future success will depend on its ability to develop its current properties and on its ability to discover resources that are capable of commercial production. However, there is no assurance that Recon's future exploration and development efforts will result in the discovery or development of commercial accumulations of oil and natural gas. In addition, even if hydrocarbons are discovered, the costs of extracting and delivering the hydrocarbons to market and variations in the market price may render uneconomic any discovered deposit. Geological conditions are variable and unpredictable. Even if production is commenced from a well, the quantity of hydrocarbons produced inevitably will decline over time, and production may be adversely affected or may have to be terminated altogether if Recon encounters unforeseen geological conditions. Adverse climatic conditions at such properties may also hinder Recon's ability to carry on exploration or production activities continuously throughout any given year.

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