

Small Cap Wrap (23 March 2011)

Sefton Resources (SER 1.88p / £4.78m)

US onshore oil and gas play Sefton Resources made the most of the increased interest in its stock to raise £841,000. These funds will be used to advance both sides of the business- oil in California and a contrarian gas play in Kansas. In California, this new money will help fund further work on the steam flood development of the Tapia field that the Directors believe could lead to a significantly increased production. The proceeds will also be used to develop Sefton's gas pipelines and leasehold projects in Kansas – where the Company has been buying up and refurbishing exiting gas pipelines which gives them a strangle hold over a large area of conventional gas as well as coal bed methane. Whilst gas prices have been under pressure in the US, the Company has been making a series of opportunistic investments at down to earth prices. The latest move is the signing of a \$200,000 binding Purchase and Sale agreement with Cholla Production LLC for leases, wells and equipment plus technical data near the Cholla pipeline that was acquired late last year. This move gives Sefton a gas production potential which it can deliver to market along its pipelines along with gas from third parties. Just looking at the oil alone, Sefton has 3.8m barrels of proven oil reserves in and a year-end 2010 Present Value of \$80.6m (£50m). There does appear to be a lot going on in the Company despite the lowly market cap.

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Small Cap Wrap (08 March 2011)

Sefton Resources (SER 2.25p / £4.56m)

Sefton Resources has been attracting media attention as it begins steam flood operations at its Tapia Field in California. Alongside Tapia Canyon (heavy gravity oil) and Eureka Canyon (medium gravity oil) in the East Ventura Basin of California, both 100 per cent owned, Sefton's other main interest is in East Kansas covering 45,000 acres of the Forest City Basin where coal bed methane, as well as conventional oil and gas deposits are targets. Latest news is that Sefton has commenced a continuous steam injection pilot of the Hartie #10 well which is part of an ongoing steam study being conducted by well-respected heavy oil expert Dr Farouq Ali. Steam is used to heat up the oil to reduce the viscosity thereby improving the recovery rate and boosting production. Sefton has already demonstrated that steaming works well in this area and have achieved very low lifting rates; and Dr Ali will be monitoring the affect of steaming the Hartie #10 well on each of the surrounding six producing wells. This data will be fed into the steam flood simulation model developed by Dr Farouq which will allow Sefton to ascertain the best methods and injection patterns for the steam flood across the whole field. As yet the buoyant oil price seems to have done little for the share price of this stock despite some compelling fundamentals. Sefton has proved reserves in California totalling 3.8m barrels of oil. Steaming is planned to increase the recovery factor which will thereby increase the proved reserves ahead of any future drilling. Last week the Company has just announced a twelve month extension of its reserved-based revolving credit facility of \$10m with a declining balance borrowing base of \$6.8m which provides funds for exploration, development as well as the acquisition of oil and gas properties. All in all, there looks to be value here for investors as this stock is currently capitalised at just a shade over £4m.

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