



Apr 01, 2015

Energy

ASE

PED

Buy

Rating Unchanged

Current Price

\$0.82

Target Price

\$2.75

Market Capitalization

24.36M

Shares Outstanding

29.79M

Float

21.50M

Institutional Holdings

8.50%

12-month Low/High

\$0.31/\$2.44

Average 90-day Volume

59,043

Fiscal Year End

Dec 31

Pacific Energy Development

A New Company In The Making

- PEDEVCO has become a new company by doubling down in the D-J Basin, and broadening U.S. exposure through the pending acquisition of Dome Energy
- The tradeoff is big production growth and a prospective debt free position vs. significant equity dilution, effectively a massive common stock financing of 207 million shares on a base of 38 million shares entering 2015
- As a major attraction, production is likely to double from 2014 to 2016 to 4,000 boed as Niobrara prospects in the D-J Basin are more rapidly evaluated, and mid-continent properties of Dome diversify company efforts geographically
- The company announced a tentative \$55 million 2015 capital budget in its 10K which was filed yesterday, a program which should provide better evidence for forecasting production growth beyond 2016
- The price target of \$2.75 is a good risk/reward metric, though missing earlier numbers from a now abandoned position in the Kansas Miss Lime, and a brief flirtation with what would have been an overly cash intensive operations in Kazakhstan

PEDEVCO Corp. (dba Pacific Energy Development Corp.) is a publicly listed, energy company engaging in the acquisition and development of strategic high-value energy projects, including shale oil and gas assets, in the United States.

The Company's principal asset is located at the D-J Basin in Weld and Morgan Counties in Colorado.

Revenues (\$ MIL)

Period	2013A	2014E	2015E
Q1	na	na	\$1.0E
Q2	na	na	\$2.1E
Q3	na	na	\$3.0E
Q4	na	na	\$8.5E
	0.7A	4.8E	14.9E

EPS (\$ MIL)

Period	2013A	2014A	2015E
Q1	na	na	na
Q2	na	na	na
Q3	na	na	na
Q4	na	na	na
	(1.07)A	(1.06)A	(\$0.00)E

Equity Research

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In its 2014 10K filing, PEDEVCO announced a capital budget earmarked for the D-J Basin of \$11 million for 4.2 net wells which will be financed by senior debt. If the pending acquisition of Dome Energy is completed, the merged capital budget could be as high as pro forma \$55.5 million. The much higher spending level would be supported partly by lucrative cash flow from Dome. Once considered an attractive opportunity, the Mississippi Lime play in Kansas has been terminated.

Following a series of transactions, PEDEVCO completed the acquisition of GGE Assets (formerly Golden Globe Energy Corp.) from GGE on February 23. GGE now owns 9% of PEDEVCO common stock, and Series A Preferred which is convertible into 66.6 million shares or 60% of PEDEVCO common stock pending the Dome acquisition.

GGE had an option through February 23, 2016 to buy a 5% interest in Aral Petroleum, a Canadian oil company which operates onshore Kazakhstan. The option was exercised for \$100,000, ridding PEDEVCO of a property which was a cash drain rather than the favorable parlay it was once thought to be.

The acquisition of the U.S. operations of Swedish-based Dome Energy was also announced on February 23. If the transaction is approved by Dome shareholders, PEDEVCO will pay 140.0 million shares, proceeds from which will partly be used to pay off debt of PEDEVCO. The stock payment will raise Dome's ownership to the equivalent of 64% of PEDEVCO prospective shares.

PEDEVCO held cash of \$6.7 million on December 31. Long-term debt was \$22.7 million. Authorized Series A convertible preferred totaled 100 million shares, with none outstanding and no liquidation requirement.

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Valuation Summary

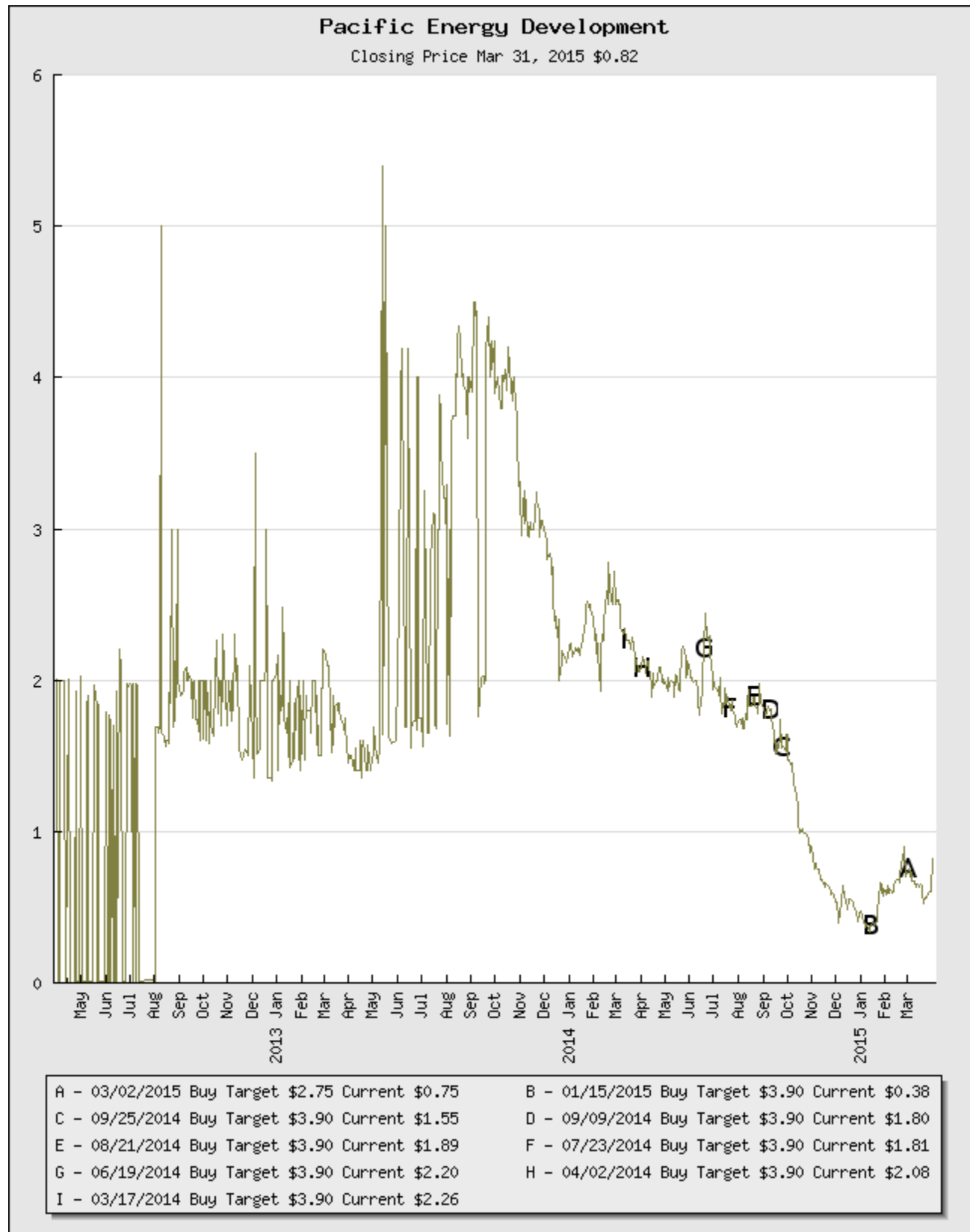
We have reduced our price target from \$3.90 to \$2.75 to exclude the \$0.90 previously allocated to the 5% interest in Aral Petroleum, and the \$0.25 which had been allocated to Mississippian Lime prospects in Kansas.

The underlying price assumptions are an average WTI price of \$75 and Henry Hub natural gas \$4.00. Production could reach 4,000 boed in 2016, or about double the total reported in the 2014 10K.

PEDEVCO		
millions	2013A	2014A
Revenues	\$744	\$4,812
Oil Production	16,065	75,753
Gas Production	13,560	94,981
Equivalent BOE	18,325.0	73,583.0
Lease Operating	-\$648	-\$1,674
LOE per BOE	\$35.54	\$22.75
Exploration Expenses	\$0	-\$1,306
SG&A	-\$7,150	-\$8,712
Impairments	-\$3,311	-\$5,455
DD&A	-\$437	-\$954
Operating Expenses	-\$11,546	-\$18,101
Operating Loss	-\$16,780	-\$22,172
Interest Expense	-\$1,591	-\$98,959
Other Expense	\$226	\$242
Net Loss	-\$18,145	-\$29,874
Common Shares	16,996	24,244
Earnings Per Share	-\$1.07	-\$1.06

Source: Company reports

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