

Prospex Energy

Selva alone.

[Charles Archer](#)

Jul 01, 2026



Good Morning Team.

A common trope in romantic novels (from Thomas Hardy's *Far from the Madding Crowd* to Elle Kennedy's *Off-Campus* series) is that the young characters tend to initially be attracted to exciting, toxic individuals, before growing to realise a more mature form of love as they gain the wisdom of age.

It was true for both Bathsheba and Hannah.

And it may be true for you.

Many of my favourite O&G plays are high-risk, high reward. They rely on a farm-out, or a single wildcat well, or getting inside a multi-billion-barrel deal.

When it goes well, it goes very well indeed. But it doesn't always go according to plan.

Sometimes, it's nice to be invested in a company that just generates revenue.

Prospex is that company, and while there are plenty of blue sky catalysts to come, Selva Malvezzi is that reliable compounding asset.

What just happened

Last Friday, Po Valley Operations — the operator and 63% working interest holder in the Selva Malvezzi production concession in Italy's Po Valley — filed the Environmental Impact Assessment for a four-well development programme with Italy's Ministry of Environment and Energy Security.

Prospex holds the remaining 37%.

That EIA covers four planned wells:

1. Casale Guida-1d
2. Ronchi-1d
3. Bagnarola-1d
4. Selva Malvezzi-1d

All sit relatively close to the existing Podere Maiar-1 well, which has been consistently doing its job since first gas in July 2023.

Three years of continuous production. Around 80,000 standard cubic metres per day.

No drama.

The timing also lines up neatly with another milestone: processing of the 3D seismic data — 140 square kilometres of it, acquired on time and on budget in December 2025 by Schlumberger Italy — is expected to be completed in July.

Interpretation work begins immediately after, with the objective of building a high-resolution, three-dimensional subsurface model to inform where exactly you put those four drill bits.

This is how proper development campaigns are run. You get the seismic processed, you understand the subsurface, you get the regulatory clearance, and then you drill — with confidence rather than hope.

Why Selva matters

I covered this in some depth in my recent write-up on Prospex, but it's worth restating specifically in the context of today's announcement.

Selva Malvezzi is the backbone of this company.

It generates real cash.

Q1 2026 saw net production of 2.69 million scm attributable to Prospex's 37% interest, sold at an average realised price of €0.43 per scm — generating €1.155 million in net revenue for that quarter alone. Full year 2025 net revenue was €4.1 million on 10.4 million scm.

Operating costs? Around €1.1 per thousand cubic feet. Low.

Gas is sold to the Hera Group under a 12-month supply agreement indexed to the Italian Gas Index, which typically trades at a premium to TTF. So not only is Prospex insulated from global LNG spot market volatility — it's capturing something above the European benchmark.

The cumulative story is also impressive. Gross production has now exceeded 72.9 million scm, surpassing the certified P1 reserves from the July 2022 competent person's report.

The development upside

The concession holds gross 2C contingent resources of approximately 14 Bcf alongside gross prospective resources in the best estimate case of around 88 Bcf across multiple targets — including the Selva North and South extensions, the East Selva prospect, and the deeper Riccardina structure.

The infrastructure to commercialise any of that is already in place. The Podere Maiar production facility exists. The connection to the SNAM national gas grid exists.

First production from a successful new well could therefore follow drilling relatively quickly — there's no lengthy construction phase.

That is not a trivial point.

Exploration plays ask you to fund a well, wait for results, and then — if successful — wait again for infrastructure, pipeline connections, offtake agreements, and the rest of it. Here, the infrastructure is done and the regulatory pathway (today's EIA filing being the critical step) is progressing in an orderly fashion.

The four-well programme has drilling authorisations targeted for H1 2027. The filing is the milestone that makes that timeline credible.

Energy security backdrop

Tom Reynolds commented that approval will *'contribute to the energy security of the Emilia Romagna region of Italy.'*

That's not corporate boilerplate. It's a genuine strategic reality.

Italy imports the vast majority of its gas. The Po Valley — one of the most historically productive gas basins in Europe, originally developed by ENI — is producing energy from domestic resources that flow directly into national grid infrastructure at contracted prices.

Every scm produced at Selva Malvezzi is a scm Italy isn't importing from somewhere less reliable.

That context matters when it comes to the Ministry's assessment of this EIA. This isn't a marginal project — it's material domestic energy supply, framed against a backdrop where energy security has become a political priority across every major European government.

The EIA consultation for El Romeral in Spain completed without a single objection from statutory consultees, regulators, NGOs or the public.

I'd expect Italian regulators to view this one with similar pragmatism.

It's also why Reveille's IPO is happening (Italian uranium). The winds are changing.

What to watch for next

Two things will follow from today's filing in relatively short order.

First, the 3D seismic interpretation. July completion for processing, interpretation commencing immediately — meaning a high-resolution subsurface model should be available in late summer or early autumn 2026.

That delivers the updated competent person's report in H2 2026, potentially upgrading resource estimates and sharpening the drilling locations.

Second, the Ministry's assessment timeline. EIA processes have their own rhythms and I won't pretend to know exactly how long Italy's MASE takes in practice.

But the quality of the submission matters — Reynolds specifically noted that PVO worked diligently to produce a '*comprehensive, high-quality*' filing. Regulators (like conveyancers) always work faster when the documentation doesn't send them back with questions.

Drilling authorisation is targeted H1 2027.

What is Selva actually worth?

Two questions every investor should ask but rarely do at the same time.

What would a corporate buyer pay for this asset today? And what is the public market currently attributing to it?

The gap between those two numbers is where the investment case lives.

Start with the cash flow, because that's where any buyer starts.

Prospex's 37% net interest in Selva generated €4.1 million in net revenue in full-year 2025, and Q1 2026 is tracking at approximately €4.6 million annualised.

Operating costs at Selva run at roughly €1.1 per thousand cubic feet — which converts to somewhere around €0.04 per scm, against a realised sale price of €0.43.

The margins are exceptional.

Back out the operating costs from annual net revenue and you arrive at operating cash flow attributable to Prospex's stake of approximately €3.5 to €3.7 million per year.

Call it £3 million.

Then apply a multiple.

But Selva is not just a producing asset.

Today's EIA filing covers a four-well development programme against a concession with 14 Bcf of gross 2C contingent resources and 88 Bcf of gross prospective resources in best estimate.

The infrastructure to commercialise new production — the Podere Maiar processing facility, the SNAM grid connection — already exists. A buyer isn't acquiring a greenfield; they're acquiring an operating platform with significant, de-risked expansion potential, and a fresh EIA submission that just put the regulatory clock in motion.

That development optionality commands a premium in any rational M&A process.

Add a conservative development premium for the 2C resources alone — net to Prospex's 37% share, that's roughly 5.2 Bcf, against infrastructure that's already in place — and a realistic acquisition price for Prospex's Selva stake arguably sits somewhere around or above the current market cap.

So why the valuation disconnect?

Prospex is an investment company under IFRS 10. Its subsidiaries aren't consolidated. The reported £2.8 million loss for 2025 is dominated by a £2.5 million unrealised revaluation entry — an accounting adjustment driven by reserve depletion calculations and lower year-end gas pricing assumptions.

Most investors see a loss and stop reading. Very few go to the unaudited quarterly cash flow summaries the company helpfully publishes alongside the statutory accounts, which tell the actual story.

Second, complexity suppresses engagement. Multiple jurisdictions, a minority B share structure in Spain, investment company accounting, non-consolidated subsidiaries — these create friction for any investor trying to build a quick model.

AIM investors, broadly, take the path of least resistance.

This is where profit can be made.

The bottom line

Selva Malvezzi is doing what good producing assets are supposed to do.

It's generating cash at low operating cost. It's demonstrating that its reservoir performs in line with — actually, slightly above — expectations. It's supporting the balance sheet while the larger development programmes across Viura, El Romeral and Poland are brought towards readiness.

And it now has its four-well EIA formally in front of the Italian regulators, with seismic interpretation imminent.

None of this is going to land Prospex in the top risers on a Monday morning.

But for investors who want to understand what they actually own, today is a concrete reminder that beneath the micro-cap complexity and prior disappointments, these assets are progressing.