C-Suite: Viking Investments CEO Explains Why VKIN Stock Is Set To Move Higher

Viking Investments Group, Inc. ("VKIN" or "Viking") is taking an aggressive stance to reposition itself as a premier player within the oil and gas industry, undertaking an aggressive acquisition strategy planned for 2017 and beyond. Taking advantage of strong banking relationships and an already beefed up portfolio of producing assets, Viking may very well be on its way to accomplishing that goal.

While the oil and gas industry has met its share of frustrating times during the past few years, those hardships may have presented opportunities for VKIN to execute on its strategy to acquire revenue producing properties at attractive prices, and, in turn, increase both shareholder value and its capital base.

For investors that need an introduction, CNA Finance reached out to VKIN's CEO, James A. Doris, LL.B, to get his insight into the current oil and gas market and to discuss his near term goals for VKIN. It is clear Mr. Doris is setting the course for a dramatically improved company, offering visibility and a well thought out plan intended to significantly increase the value of VKIN.

Q. Viking has been on the move of late, with changes in its corporate structure, management team and business strategy. For shareholders that might have been introduced to Viking a year ago, would it be fair to say that they need to get reacquainted?

JAD:Yes, absolutely. In the span of 12 months we have made 2 acquisitions, completed 3 financing transactions, formalized a relationship with a premier operating company in Kansas, and participated in negotiations and/or submitted bids for 5 other acquisitions (ranging from $12mm to $167.5mm), with support from various funding groups. From a compliance and professional services standpoint we also changed auditing firms, switching to a firm with considerable experience in providing services to public companies involved in oil & gas exploration.

Q. Getting reacquainted is important, but investors should acknowledge that companies like VKIN need to evolve to remain relevant, especially when opportunity is ripe. For both new and current investors, how is the Viking model going to be different in 2017 than it was in 2016?

JAD:Although we completed a couple of acquisitions in 2016, the past 12 months was more about putting key building blocks in place (e.g. contracting with a premier operating company; securing a credit facility with a commercial bank in the Energy Sector who wants to grow with us as we make more acquisitions in the Mid-Continent area; establishing relationships with investment banks and other funding groups who now want to assist us on future deals; achieving credibility in the marketplace amongst prospective vendors and brokers to generate deal flow). In 2017 our focus is going to be more narrow, i.e. simply assessing deals and buying assets that fit our investment model.

Q. Building on your focus to become a premier exploration and production company in the mid-Continent region, can you tell shareholders some of steps that Viking has already taken to establish the initial footprints in that region?

JAD:We have attracted attention to the "Viking" name in the area by purchasing a working interest in 6,000 acres of property in Kansas and Missouri, and by attempting to purchase other assets in Kansas, Oklahoma and Texas (we were not successful with those transactions, through no fault of Viking, but our participation in those negotiations have caused others to send us information on several other deals).Engaging S&B Operating, a subsidiary of KRDC, as our operator, has by itself generated a significant amount of deal flow.

Q. Many people don't often think of Kansas and Missouri when the topic of exploration and production value arises. The truth is that each of these states may be extremely lucrative to your vision. Can you explain what prompted VKIN to potentially invest millions of dollars in that region?

JAD:Major oil companies proved decades ago that oil existed and could be produced from those States; however the volume was insufficient for the large companies to sustain a long-term presence (i.e. production volume was too low to pay exorbitant overhead of large organizations).So the market is fragmented, consisting for the most part of smaller operators, some of whom have no interest in deploying capital to develop acreage (i.e. drill) and others who may want to drill but don't necessarily have the funds to do so, in particular given the drop in oil prices over the past two years. So, there is a tremendous opportunity to aggregate producing, long-life assets with significant development potential.

Q. So, if the Viking strategy is successful and the company begins to realize substantial revenue, would the focus turn toward leveraging that success and seeking growth through acquisition?

JAD: Yes, our growth strategy contemplates making several acquisitions over the next 18 to 24 months, adhering to our business model (i.e. target assets have to be generating positive cash-flow at today's oil prices, and there has to be development potential).

Q. Acquisition requires strength in both capital resources and management. Is the expertise already in place at Viking or would you seek additional executive level experience to facilitate the growth?

JAD: We have a formidable group of professionals (e.g. operators, petroleum engineers and geophysicists) that have assisted the company over the past 12 months in assessing acquisition opportunities. We expect those relationships to continue. At the same time, to the extent we complete a transaction in a State outside of Kansas and Missouri, we will engage experts in those regions to operate and manage those assets on behalf of the company. Further, we are actively seeking professionals from various disciplines (e.g. investment banking, energy and compliance) to serve on our advisory board to assist with our long-term growth and governance initiatives.

Q. While growth may be part of the strategic plan. VKIN already has secured some sizable assets. Can you tell investors about existing assets and how those resources are able to be leveraged into near term acquisitions or partnerships?

JAD:We have a sizable acreage position (over 6,000 acres), and intend to implement a phase-1 drilling and maintenance program, subject to raising the necessary capital, to drill new wells to increase production and lower operating costs.

Q. The property and production assets are crucial, but so is the ability to raise capital. Does Viking have any agreements in place with commercial lenders or will the company look to raise capital in the equity markets?

JAD:We have a credit facility with CrossFirst Bank (the bank has offices in Kansas, Oklahoma and Texas), who wants to grow with us and increase the size of the existing facility to assist with acquisitions. We also have Placement Agent agreements with certain investment banks who have supported us on previous acquisition attempts and want to assist with **future deals.**

Q. So, you have let us know that VKIN has both the cash and production assets available for market. Importantly, though, does Viking have a channel in place to facilitate product sales?

JAD: All oil produced from our leases gets purchased, the price just varies from month to month depending on market rates.

With respect to acquisitions, we have extensive relationships throughout the United States and receive a steady flow of attractive opportunities, whether it be working interests, overrides or royalty interests.

Q. You have laid out a vision and strategy that can make Viking an established and valuable enterprise. As we know, though, the exploration and production field is competitive, and making prudent investments is essential. As the CEO, what assessments do you ensure are taken prior to consummating either a land purchase or interest agreement?

JAD:We assess a number of factors when evaluating an asset, including: geological formation, reservoir characteristics, historical production and operating costs, proximity to other producing leases, development potential, status of equipment, environmental issues, etc.

Q. Finally, there has been quite a bit of market volatility in regard to oil and mineral prices. Do you think that the current market is the sweet spot for new investment and would an invigorated economy boost your business outlook?

JAD:The volatility in oil prices in 2015 and 2016 has created a tremendous opportunity to purchase quality assets. Provided we remain disciplined and do not deviate from our investment model,i.e. buy assets generating positive cash flow at today’s prices with realistic development potential, and only engage in responsible drilling programs (i.e. no wild-catting or highly speculative ventures) we will have great long-term success.

End interview

With Viking concentrating on the mid-continent states to take advantage of opportunities in the oil and gas space, the company may very well find themselves able to take advantage of distressed properties that offer significant value in regard to oil and gas reserves. Unfortunately, "others pain" often becomes the "new investors" gain, and with VKIN having both the cash and management expertise to take advantage of current opportunities, the company may very well be in a position to return significant shareholder returns in the coming months.

Investors may be well served to keep an eye on VKIN throughout the first months of 2017, and if the company can generate some near term acquisitions, they may be able to leverage that growth into additional and long term value. With near term expectations high, the year may very well become quite interesting for Viking shareholders.