

FIRST LIGHT

Caspian Sunrise (CASP) – Corporate – Deep Well 802 Strikes Oil

Market Cap £116.1m Share Price 5.16p (last close)

Caspian Sunrise announced that Deep Well 802 drilling the Deep Yelemes structure has struck oil unexpectedly (at 3,900m) above the targeted formation (expected at 4,300m). The well is now being sidetracked to a depth of 4,100m with a further 100m to be drilled to reach that depth. Caspian Sunrise has further announced that the well has flowed for three days at rates fluctuating from 700-900 b/d on an open hole basis.

The company indicated that once the well is completed (cased and perforated), they believe there is potential for the well to flow at a higher rate.

WHI View: Deep Well 802 has not yet been cased and it is drilling in a deep and over-pressured environment (beneath the Kungurian salt). We believe that the immediate priority of the company will be to drill the well to its targeted depth and then case the well, which involves cementing steel production tubing into the well. Thereafter, we would expect the company to test the well and to evaluate the unexpected oil discovery.

For reference, the massive Upper Devonian and Lower Permian deep water shales throughout the North Caspian basin have sourced world-class volumes of hydrocarbons regionally – we expect any porous rock under the Kungurian salt to be rich in hydrocarbons. After the well is successfully cased and controlled, we expect the company will turn its attention to the potential scale of the newly discovered resource. For now, we do not yet know how much of the oil column drilled by the well intersected productive oil-bearing reservoir. Wireline logs should provide a good understanding of the oil column imminently. Thereafter, the areal extent (the area) of the discovery will be evaluated/estimated. These key parameters, amongst others, will then be applied to determine an oil in place estimate, to which a recovery factor would typically be applied to ascertain an estimate of the recoverable resource.

For reference, our best estimate of the areal extent of the deeper, original target, of the Deep Yelemes structure is 13.5 square kilometres. Typically a higher target would have a lower areal extent. Intuitively, the newly discovered oil bearing zone does not extend to Deep Well 801 (TDed in August 2015) which discovered

Marketing Communication

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the deeper Deep Yelemes oil-bearing resource, because it did not discover the newly discovered higher resource.

Caspian Sunrise has historically brought its deep wells on at tremendous rates which could not be sustained. We note that intuitively the newly discovered resource appears inherently highly productive – although the drilling of the sidetrack well will surely be drilled with extreme caution using high density drilling fluid which could inhibit future flow. A forthcoming flow test will provide more clarity. We are optimistic, if cautious based on prior experience.

Although at this stage it is difficult to draw any precise conclusions, this is clearly a very exciting development in our opinion. We are in big-oil country: Deep sub-salt structures in the North Caspian Basin, by international standards, typically have large oil bearing columns, large areas and high oil/gas saturations. We note that the well clearly wants to flow to the extent that it has created very considerable operational risks that Caspian Sunrise has managed successfully so far.

The result builds further on the operational success of Caspian Sunrise, namely, the strong production results from its shallow assets (above the Kungurian salt) and the recent contract win announced in respect of the Caspian Explorer. Already well supported by a 10% dividend yield, we expect a very positive share price reaction to this development.

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Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	68.0	100.0	66.0	100.0

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Caspian Sunrise (CASP)	1,2,3,4,5,8,10	Corporate	11.12.17

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