



.....FLASH NOTE.....FLASH NOTE.....FLASH NOTE.....FLASH NOTE.....

20 November 2019

## All eyes on Carapa

- **Fully funded, ready to return to drilling:** Eco Atlantic had cUSD21m of cash and cash equivalents on its balance sheet at the end of Q3 2019, following the drilling of two play-opener wells on the Orinduik block offshore Guyana – Jethro and Joe. This leaves the company well-funded for the 2020 drilling campaign that will have at least two exploration wells. We reiterate our Buy rating and price target of 170p.
- **More drilling needed to better understand the geology:** The operator, Tullow Oil, announced last week that the crude in Jethro and Joe was a heavy sour grade based on the initial analysis of the fluid sample test. Eco believes that Jethro and Joe may be commercial discoveries as the heavy sour crude in both fields is mobile, helped by a high-temperature/high-pressure reservoir (Jethro is overpressured by 2,600psi). The benchmark used for economics of the Orinduik block has been the adjacent Stabroek block, where the Exxon-led consortium has discovered over 6bn bbl of resources. However, while Exxon and its partners have not provided much technical detail about individual discoveries, we believe that their discoveries, at least the ones in the Cretaceous layer, are light sweet crude. We also note that while Exxon's Hammerhead discovery may contain heavy crude, it is still commercial and will be developed, which indicates potential commerciality of heavy crude discoveries on Orinduik as well.
- **All eyes on the Carapa well:** Repsol and Tullow Oil are currently drilling the Carapa exploration well on the adjacent Kanuku block, with results expected in December. Unlike Jethro and Joe, this is a Cretaceous target that is shallower than the Cretaceous discoveries of Exxon-led consortium on the Stabroek block, and as such, will have an important read-through to the prospectively of the Orinduik block. Note that the last Competent Persons Report (CPR) assigned c3bn bbl of gross prospective resources (P50) to Cretaceous prospects.
- **An updated CPR and drilling programme in January 2020:** Eco aims to publish an updated CPR once the final fluid reports and testing data for Jethro and Joe, as well as the results of the Carapa well, are available. The partners are currently in the process of reviewing potential drilling targets for 2020, which we expect to be announced in January.
- **Valuation methodology:** Our price target is set using a risked NAV, which takes account of the cash position net of exploration and appraisal costs (assuming three dry-holes) as well as general and administrative costs, together with risked exploration upside assigned to a three-well drilling campaign.

### Eco Atlantic

**BUY**

### Price target

GBp 170

### Current price

GBp 54

19/11/2019 London  
Close

# Eco Atlantic Oil & Gas Ltd (ECO LN)

## Oil & Gas



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Eco Atlantic Oil & Gas Ltd	3, 5

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Production of the recommendation completed: 20.11.2019, 07:14 GMT

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Date	Price target - GBp	Rating	First dissemination GMT	Initiation of coverage
<u>10 January 19</u>	<u>110</u>	<u>Buy</u>	<u>2019-01-11 06:50</u>	<u>10 January 19</u>
<u>12 August 19</u>	<u>200</u>	<u>Buy</u>	<u>2019-08-12 08:28</u>	
<u>16 September 19</u>	<u>230</u>	<u>Buy</u>	<u>2019-09-16 08:59</u>	
<u>14 November 19</u>	<u>170</u>	<u>Buy</u>	<u>2019-11-14 08:28</u>	

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