



25 March 2010

52-wk Range: £0.22-0.40
12-month target: £0.80

Market Cap (M): £150.0
EV (M): £150.0

Oil & Gas

Ticking along at lightning speed

Summary

Circle is an oil and gas exploration and production company with a diversified portfolio of assets in Tunisia, Morocco, Egypt, Namibia and Oman.



Key Metrics

Shares Outstanding (M): 410.8
Current Price (GBP): £0.37

Event

Circle Oil Plc announced that the Al-Amir SE-5 appraisal well has been successfully connected and has commenced production in the Al-Amir Development Lease in the onshore North West Gemsa Concession in Egypt. The Al-Amir SE-5 well is producing at a rate of approximately 1500bopd through a 24/64" choke. The well is producing from the upper Kareem Shagar Sandstone pay zone which is 19ft thick. The lower pay zone in the Kareem Rahmi Sandstone is 17.5ft thick giving total pay zone thickness in Al-Amir SE-5 of 36.5ft. Overall adjusted daily production levels from the Al-Amir and the Geyad Development Leases have been choked back to minimize flaring, install new early facilities and maintain reservoir integrity. New stabilized production rates will be announced in due course. Cumulative oil production from the area since production began in late February 2009 is now over 1.7MMbbl.

The partners have approved in principle the 2010 budget and work programme which in the Al-Amir SE field includes drilling two additional wells the Al-Amir SE-7 appraisal well and one water injection well. In the Geyad field the Geyad-3 development well is scheduled to be drilled during the third quarter. Existing field facilities will be augmented with additional storage capacity, flow line, pipe lines and manifolds. Geological and engineering studies will be carried out in preparation for water flooding to commence early in 2011. Exploration activities include reprocessing of existing seismic and the potential drilling of an exploratory well. Total expenditures for 2010 are estimated at \$46m with Circle's share being \$18.4m.

As a result of the additional development drilling and facilities expansion, total gross production from the concession is expected to exceed 10,000bopd by year-end.

The rig is now drilling the Al-Amir SE-6 well, which was spudded on 14 March 2010 and is the fifth appraisal well in the Al-Amir SE discovery area, designed to reach a total depth of 14,000ft. The primary target is again the Kareem Formation and the secondary objective is to assess the hydrocarbon potential of the Pre-Miocene Nubia sandstones. This well is presently at a depth of approximately 3,000ft.

Comment

This announcement follows a comprehensive update published only last week by the Company. Al-Amir SE-5 has been connected two and a half weeks after the announcement of completion and is contributing some 1500bopd to production. This is a prime example of the success enjoyed by Circle Oil and partners in the North West Gemsa Concession and of the efficiency of the operation. Considering production rates achieved in the past, the connection of Al Amir SE-5 as well as the short-term drilling programme, we are very confident that the 10,000bopd will be largely exceeded by year end.

Recommendation

We maintain our Buy rating and 80p price target.

Contact

Lionel Therond
+44 (0)207 936 5244
Lionel.Therond@fdcap.com

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Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

T: +44(0)20 79365244

E: Lionel.therond@fdcap.com

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Research disclosure as of 25 March 2010

Company Name	Disclosure
Circle Oil	1, 2, 7, 8

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Fox-Davies Capital Coverage

Fox-Davies corporate client & coverage universe as of 25 March 2010

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	23.03.10	£0.20	£0.05
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.60
Circle Oil	COP LN Equity	BUY	25.03.10	£0.80	£0.37
Desire Petroleum	DES LN Equity	HOLD	01.02.10	£1.50	£1.03
Enegi Oil	ENEG LN Equity	HOLD	17.12.09	£0.10	£0.09
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.29
Gulf Keystone	GKP LN Equity	BUY	15.03.10	£2.00	£0.81
Gulfsands Petroleum	GPX LN Equity	HOLD	23.03.10	£3.00	£3.28
Matra Petroleum	MTA LN Equity	BUY	26.01.10	£0.11	£0.05
Max Petroleum	MXP LN Equity	BUY	24.03.10	£0.50	£0.20
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.095
Po Valley	PVE AU Equity	BUY	16.10.09	A\$3.00	A\$1.27
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.03
Rockhopper Exploration	RKH LN Equity	HOLD	01.02.10	£1.10	£0.54
San Leon Energy	SLE LN Equity	NA	NA	NA	£0.18
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.46
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.02
Victoria Oil & Gas	VOG LN Equity	BUY	09.03.10	£0.09	£0.04

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