



8 July 2010

52-wk Range: £0.29-0.40  
12-month target: £0.90

Market Cap (M): £144.8  
EV (M): £144.8

## Oil & Gas

## Good news all around

### 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): £0.35

### Event

Circle Oil announced yesterday that the Al Amir SE-6X down-dip flank appraisal well successfully tested a hydrocarbon bearing interval over a pay zone of approximately 8ft in thickness in the Lower Rudeis within the interval 13,776-13,784ft. A drill stem test flowed 45° API oil at a sustained average rate of 66bopd and 1.1mmscf/d of gas using a 32/64" choke. The well was shut in for pressure build-up and plugged back to a depth of 10,520ft. The Company is now preparing this well to test the main oil-bearing zone of the Kareem Shagar Sandstone. Once the Kareem sandstone is tested and evaluated, a further announcement concerning the results of the well will be made. Circle owns a 40% interest in the North Gemsa concession, with Vegas Oil & Gas as operator (50%) and Sea Dragon Energy (10%).

The Company also announced the appointment of Professor Chris Green as its Chief Executive Officer. Professor Green initially joined Circle as a non-executive director in September 2005. He subsequently assumed the key executive roles of Technical Director and Chief Operating Officer. He is an explorationist and geophysicist with some 35 years experience in the oil and gas industry including 24 years at Shell, before leaving in 1998 as a Principal Geophysicist and a Global Shell Group Advisor. From 1998 to 2001 he was Director of Strategic Development and Geosciences at Racal Electronics and from 2001 to 2004 he was Chief Technical Officer at Thales Geosolutions Group. During the period 1996 to 2004 he was also Professor of Geophysics at the University of Saint Andrews in Scotland.

### Comment

Regarding the drilling result, this is excellent news for a well designed to delineate the edge of field. The Al Amir SE field is clearly larger than expected with some additional potential in the Nubia formation at that location and no doubt that these results combined with the forthcoming testing of the Kareem sands will lead to an increase in ultimate recoverable resources.

The ultimate recoverable resources from NW Gemsa have been assessed at around 40MMbo, as published at the time of the interim results at the end of June. We believe that the latest Al Amir SE-6 results will result in an increase of this estimate closer to the 60MMbo that we are using in our risked NAV and that is predicted on the drilling results continuing to exceed expectations.

With Chris Green having been the driving force behind the success of Circle Oil in the past couple of years, we expected his appointment as CEO of the Company. Nevertheless the announcement removes the uncertainty created in the meantime and enables the Company to set out with a new CEO having a clear mandate to drive the Company forward.

### Recommendation

We remain confident in our forecasts and maintain our Buy rating on the stock with an unchanged price target of 90p.

### 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 08 July 2010

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

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	01.07.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.70
Bowleven	BLVN LN Equity	BUY	28.06.10	£3.00	£1.44
Circle Oil	COP LN Equity	BUY	08.07.10	£0.90	£0.35
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.95
Enegi Oil	ENEG LN Equity	SELL	17.05.10	£0.10	£0.20
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£2.13
Gulf Keystone	GKP LN Equity	BUY	25.05.10	£2.00	£0.68
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.77
Hardy Oil & Gas	HDY LN Equity	BUY	26.05.10	£3.00	£1.70
Heritage Oil	HOIL LN Equity	BUY	28.06.10	£7.00	£4.25
Matra Petroleum	MTA LN Equity	BUY	26.05.10	£0.07	£0.01
Max Petroleum	MXP LN Equity	BUY	15.06.10	£0.50	£0.12
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.045
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.33
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.05
Rockhopper Exploration	RKH LN Equity	BUY	04.06.10	£4.00	£3.16
San Leon Energy	SLE LN Equity	BUY	02.06.10	£0.80	£0.15
Sterling Energy	SEY LN Equity	SELL	11.06.10	£1.00	£1.30
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.03
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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