

SDX Energy PLC Announces Update on drilling operations in Morocco and Egypt

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LONDON, UK / ACCESSWIRE / March 18, 2020 / [SDX Energy Plc](#) (AIM:SDX)(OTCPINK:SDXEF), the MENA-focused oil and gas company, is pleased to provide the following update on its drilling operations in Morocco and Egypt.

Morocco

The LMS-2 well (SDX 75% working interest) has been drilled to a measured depth of 1,190 metres, and the Company is pleased to advise that electric logging has shown that a 10.6 metre net gas reservoir with 30.9% porosity has been encountered on prognosis at the base of the H9/Srafen formation. Unlike previous gas discoveries in the south of the acreage, analyses while drilling indicated that the different thermogenic composition of the gas suggests that it is from a new and likely deeper source rock. The well has been cased and completed and, when changes to Covid-19 restrictions make it possible to bring a well testing crew into the country, it will be perforated and tested to determine its potential.

Egypt

The SD-12X (Sohbi) well at South Disouq in Egypt (SDX 55% working interest, 100% working interest in this well) has commenced drilling operations.

Sohbi is expected to reach its targeted depth of approximately 2,300 metres in late April and is targeting gross P50 unrisked prospective resources of c.33 bcfe, as estimated by management. Sohbi's primary target is in the same Kafr el Sheikh formation that the Company's existing Ibn Yunus well is already producing from.

If successful, the Sohbi well would be tied in during 2021 via a 5.8 kilometre tie-in to the Ibn Yunus-1X location where an existing flow-line connects to the South Disouq Central Processing Facility. On a gross basis, this tie in cost is estimated at US\$3.5 million. The 33 bcfe gross P50 unrisked resource targeted by Sohbi would potentially only require one further development well. SDX will drill the Sohbi well at a 100% working interest for an estimated gross dry hole cost of US\$2.3 million which will be paid over the coming three months. Under Clause 8.5 of the Joint Operating Agreement, 'Premium to Participate in Exclusive Operations', if the Company's partner elects to participate in the well after a discovery is made, it is required to pay its full share of the well cost, plus a premium of a further 300% of this amount.

Mark Reid, CEO of SDX, commented:

"We are encouraged with the initial results at LMS-2 in Morocco, however, we require this well to be perforated and tested before we can understand its potential.

Sohbi is an exciting well for the Company, targeting the same productive formation we are already producing from in Egypt and if successful, it has the potential to extend the current plateau production of 50 MMscfe/d to 2024.

I look forward to providing further updates on both wells and our plan for future drilling in due course.

The Company remains well funded with US\$11.0 million of cash as at 31 December 2019 and US\$7.5 million of debt available in our EBRD credit facility. Furthermore, even at an oil price assumption of \$55/bbl, approximately 80% of 2020 and 90% of 2021 forecast cash flows are estimated to come from our fixed price gas businesses in Egypt and Morocco. Given the above, we are positioned strongly to continue to weather the current fall in oil prices."

About SDX

SDX is an international oil and gas exploration, production and development company, headquartered in London, United Kingdom, with a principal focus on MENA. In Egypt, SDX has a working interest in three producing assets. In the South Disouq gas field in the Nile Delta, the Company is operator and has a 55% working interest. In the Eastern Desert, adjacent to the Gulf of Suez, the Company has two non-operated oil interests; 50% in North West Gernsa and 50% in Meseda. In Morocco, SDX has a 75% working interest in the Sebou concession, situated in the Gharb Basin. These producing gas assets in Morocco are characterised by exceptionally low operating costs and fixed price gas contracts making them particularly resilient in a low oil price environment. SDX's portfolio also includes high impact exploration opportunities in both Egypt and Morocco.

For further information, please see the Company's website at www.sdxenergy.com or the Company's filed documents at www.sedar.com.

Competent Persons Statement

In accordance with the guidelines of the AIM Market of the London Stock Exchange the technical information contained in the announcement has been reviewed and approved by Rob Cook, VP Subsurface of SDX. Dr. Cook has over 25 years of oil and gas industry experience, is the qualified person as defined in the London Stock Exchange's Guidance Note for Mining and Oil and Gas companies. Dr. Cook holds a BSc in Geochemistry and a PhD in Sedimentology from the University of Reading, UK. He is a Chartered Geologist with the Geological Society of London (Geol Soc) and a Certified Professional Geologist (CPG-11983) with the American Institute of Professional Geologists (AIPG).

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Glossary

"bcfe" billion cubic feet equivalent

"MMscfe/d" million standard cubic feet equivalent per day

Forward-Looking Information

Certain statements contained in this press release may constitute "forward-looking information" as such term is used in applicable Canadian securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or are not statements of historical fact should be viewed as forward-looking information. In particular, statements regarding the Company's future drilling campaigns and results in Morocco and Egypt and more specifically the results of testing LMS-2 in Morocco, the impact of Covid-19 restrictions in being able to test the well and the prospects for the Sohbi well should all be regarded as forward-looking information.

The forward-looking information contained in this document is based on certain assumptions, and although management considers these assumptions to be reasonable based on information currently available to them, undue reliance should not be placed on the forward-looking information because SDX can give no assurances that they may prove to be correct. This includes, but is not limited to, assumptions related to, among other things, commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; receipt of necessary permits; the sufficiency of budgeted capital expenditures in carrying out planned activities, and the availability and cost of labour and services.

All timing given in this announcement, unless stated otherwise, is indicative, and while the Company endeavours to provide accurate timing to the market, it cautions that, due to the nature of its operations and reliance on third parties, this is subject to change, often at little or no notice. If there is a delay or change to any of the timings indicated in this announcement, the Company shall update the market without delay.

Forward-looking information is subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Such risks and other factors include, but are not limited to, political, social, and other risks inherent in daily operations for the Company, risks associated with the industries in which the

Company operates, such as: operational risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; environmental risks; competition; permitting risks; the ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws and environmental regulations. Readers are cautioned that the foregoing list of risk factors is not exhaustive and are advised to refer to SDX's Management's Discussion & Analysis for the three and nine months ended 30 September 2019, which can be found on SDX's SEDAR profile at www.sedar.com, for a description of additional risks and uncertainties associated with SDX's business, including its exploration activities.

The forward-looking information contained in this press release is as of the date hereof and SDX does not undertake any obligation to update publicly or to revise any of the included forward-looking information, except as required by applicable law. The forward-looking information contained herein is expressly qualified by this cautionary statement.

Oil and Gas Advisory

Certain disclosures in this news release constitute "anticipated results" for the purposes of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators because the disclosure in question may, in the opinion of a reasonable person, indicate the potential value or quantities of resources in respect of the Company's resources or a portion of its resources. Without limitation, the anticipated results disclosed in this news release include estimates of volume and production rates attributable to the resources of the Company. Such estimates have been prepared by Company management and have not been prepared or reviewed by an independent qualified reserves evaluator or auditor. Anticipated results are subject to certain risks and uncertainties, including those described above and various geological, technical, operational, engineering, commercial, and technical risks. In addition, the geotechnical analysis and engineering to be conducted in respect of such resources is not complete. Such risks and uncertainties may cause the anticipated results disclosed herein to be inaccurate. Actual results may vary, perhaps materially.

Prospective Resources

The prospective resource estimates disclosed or referenced herein have been prepared by Dr. Rob Cook, a qualified reserves evaluator, in accordance with the Canadian Oil and Gas Evaluation Handbook and in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. The prospective resources disclosed herein have an effective date of 1 January 2020. Prospective resources are those quantities of gas, estimated as of the given date, to be potentially recoverable from undiscovered accumulations through future development projects. As prospective resources, there is no certainty that any portion of the resources will be discovered. The chance that an exploration project will result in a discovery is referred to as the "chance of discovery" as defined by the management of the Company. There is no certainty that it will be commercially viable to produce any portion of the resources discussed herein; though any discovery that is commercially viable would be tied back to the Company's pipeline in Morocco and then connected to customers' facilities within 9 to 12 months of discovery. Based upon the economic analysis undertaken on any discovery, management has attributed an associated chance of development of 100%.

There are uncertainties associated with the volume estimates of the prospective resources disclosed herein, due to the level of information available on prospective resources, but ranges are defined based on data from the Company's nearby existing analogous wells. Some of the risks and uncertainties are outlined below:

- petrophysical parameters of the sand/reservoir;
- fluid composition, especially heavy end hydrocarbons;
- accurate estimation of reservoir conditions (pressure and temperature);
- reservoir drive mechanism;
- potential well deliverability; and
- the thickness and lateral extent of the reservoir section, currently based on 3D seismic data.

"P50" means that there is at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.

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