



TENNYSON Morning news – Beacon Energy – Erfelden reserves almost double (best estimate) to over 7 mmbbbls

Tennyson Securities, Energy Research

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Beacon Energy (BCE LN) announced a substantial increase in reserves at its Erfelden oil field this morning following its successful SCHB-2(2.) well drilled earlier this year. As previously announced, the well, situated in the upper Rhine basin onshore Germany, encountered a thicker than expected reservoir section with excellent reservoir properties. Furthermore, the company’s understanding of the subsurface model has improved, with new datapoints tying the reservoir to seismic lines allowing for better mapping of the reservoir across the field (particularly into the adjacent Schwarzbach South segment). Pressure and gas ratio analysis suggests that there is no material fault offset between the two segments, and accordingly the company expects that the currently defined contingent resources associated with this section to be reclassified as reserves, justified for development.

The upshot of these revisions is that the best estimate (i.e. 2P) reserves will increase to 7.24 mmbbbls (+91% from previous estimates), with the high case now above 10 mmbbbls recoverable (+77%). These additional reserves will be incorporated into a new full field development plan, from which the full economic impact of the additional volumes could be established. For a rough estimate, however, we can use the CPR NPV10 unit valuations in the previous high case (which looks broadly consistent with the new, best estimate case) of €18.3/bbl and apply it to the updated reserve numbers. This suggests an implied NAV of US\$141.6m in the best estimate case, and just under US\$200m in the high case.

Meanwhile, operations to start commercial production from the SCHB-2(2.) well continue, with the rod pump (required to finish clean-up operations) in the process of being installed. Production at the rod pump capacity of around 250 bbls/d is expected in the next fortnight, with an electrical submersible pump (ESP) to be installed once clean-up is complete (anticipated in mid-Q1 next year). With ESP support the well is expected to produce at rates in excess of 900 bopd based on industry calculations, however the full productivity of this well can only be established once clean-up operations are complete. The next steps for the company will be an update once the rod pump is installed and producing. Meanwhile adjustments will be made to the original field development plan to account for the additional volumes discovered by SCHB-2(2.), alongside a formal update of the CPR, likely in the new year.

	Pre-drill	Post-drill	Increase (%)	Implied NPV10*
Low case (1P)	1.0	4.72	372%	US\$92.3m
Best Estimate (2P)	3.8	7.24	91%	US\$141.6m
High case (3P)	5.8	10.20	77%	US\$199.5m

*Calculated by applying CPR 3P case unit value of €18.3/bbl (US\$19.56/bbl) to updated volumes

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