

Sterling Energy plc

08:52 27 Jan 2011

Sterling Energy shares advance on Kurdistan sidetrack news

Sterling Energy (LON:SEY) shares climbed almost 14 percent after it announced the decision to drill a side-track the Sangaw North-1 exploration well. Shares had fallen in the initial reaction to this morning's news, but reversed course in afternoon trade to trade at 74 pence at around 3 pm.

The well ran into trouble in November 2010 at around 3,396 metres when it encountered a zone of high formation pressure. A corrosive hydrocarbon gas, containing approximately 0.5 percent hydrogen sulphide, entered into the well and the drill pipe broke off at about 850 metres.

The company has now retrieved enough of the broken drill-pipe from the hole that a side-track can now be drilled to finally test the Sangaw North target.

Werner Riding, oil and gas analyst at Ambrian Capital, highlighted the latest developments in a note to clients.

"The main point is that a further 280m of previously stuck drill pipe have been removed from the well bore. There will be no further effort expended in trying to recover any more of the stuck drill pipe," Riding said in a note to clients.

"Instead, a side-track will be drilled to a depth of 3,300m, where casing will be run and cemented before continuing to drill deeper to test the prospectivity of the target reservoir section that is thought to be hydrocarbon-bearing."

Riding adds: "In the context of the Sangaw North exploration well this is a positive development for Sterling as it means the goal of testing the prospectivity of the deeper Jurassic formations from the current drilling effort remains in play."

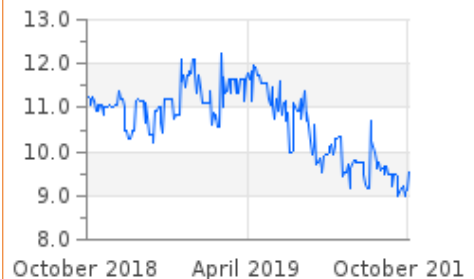
Meanwhile Evolution Securities analyst Keith Morris reckons the well will reach the Jurassic formations a few weeks after it reaches the casing point, but his valuation for Sterling is based on more than just the prospect in Kurdistan.

"Our 165 pence price target looks very optimistic at this stage," Morris said, "but it only contains around 20 pence for the Sangaw North prospect, the other key elements for the valuation are cash (32 pence per share – not affected by the well problems as SEY has farmed out the drilling cost), 85 pence per share for Cameroon – currently in force majeure, and 29 pence per share for Madagascar – also on hold due to political issues."

Price: 9.675

Market Cap: £21.29 m

1 Year Share Price Graph



Share Information

Code: SEY

Listing: AIM

52 week	High	Low
	12.4	8.7

Sector: Energy

Website: www.sterlingenergyuk.com

Company Synopsis:

Sterling Energy Plc is an upstream oil and gas company listed on AIM market of the London Stock Exchange. Sterling is an experienced operator of international licences with a current focus on projects in Africa. The Company has interests in high potential exploration projects in Cameroon, Madagascar, Mauritania and Somaliland.

action@proactiveinvestors.com

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.