

COMPANY	Melbana Energy Limited (MAY)	20th Sept 2023
MCAP	\$247m	Current share price \$0.073c
VALUATION	Our risked valuation is \$0.153/share	
NEWS	Alameda-3 well to start Nov'23 to test big oil potential	

KEY POINTS

Cuba Block 9: Early Oil Production and November Spud of Alameda-3.

- **Alameda-3 Appraisal Well to commence November 2023.** The drilling rig is on site and being prepared to commence drilling operations.
- **Alameda-3 Appraisal Well will test the two hi-potential lower formations.**
 - The Alameda and the Marti Formations are the primary targets of MAY's exploration campaign. Oil shows were seen in big intervals in these formations but were unable to be fully tested in the Alameda-1 discovery well.
 - MAY is looking both for good fracture porosity and good quality oil with ability to flow and secure low-discount crude product.
- **Early Production to soon start from upper formation Amistad in recently successful Alameda-2 shallow appraisal well.**
 - Stabilised flow rates achieved from Unit 1B in Alameda-2 were ~1,235 barrels of oil per day of low sulphur 19° API gravity. This oil flow and oil quality is significantly better than average for well in the upper formations in Cuba.
 - Horizontal drilling in these reservoirs typically triples the flow rate.
- **The discovery well – Alameda-1 will not be completed for production** as was designed as an exploration well. Alameda-1 will be plugged to minimise any risks.
 - Quick work on P&A will enable the rig to drill Alameda-3 well this year from the exact same location.

COMPANY BACKGROUND & PAC RESEARCH

Melbana Energy Limited (ASX – MAY) is an ASX-listed oil & gas explorer and developer in Cuba and Australia. Formerly known as MEO, Melbana has built-up and successfully traded a portfolio of assets in hydrocarbon rich basins. It has done this with technical excellence, value-adding and prudent risk-taking. More drilling and deal execution can add to valuation.

Link to 19-page introduction report: [RR MAY230828](#)

KEY DRIVERS – GIANT IN-PLACE OIL DISCOVERY – LOOKING FOR QUALITY & RESERVOIR

- MAY has found in Block 9 Onshore Cuba a giant structure with between 2 and 12 billion barrels oil in place (with the Alameda-1 discovery). Commercial production needs to find fracture porosity in carbonates and somewhat less heavy oil that can flow more easily and is a more valuable oil (than 11-degree API).

- After drilling in an appraisal well (Alameda-2) oil flowed oil in 3 of 4 tests in the Upper 1/3 of the original find in Alameda-1.
- We believe MAY has made a commercial discovery with one zone flowing 1,235 bbl/day of less heavy and more valuable oil (19-degree API).
- Production can start imminently pending installing simple (rented) surface facilities. 1,500 bbl of test oil has already trucked to nearby refinery, i.e. its low opex/transport cost. Production completion will be from Unit 1B of Amistad formation.
- MAY will shortly drill Alameda-3 to test their primary targets – the deeper Alameda and Marti Horizons. We are hopeful that lighter (more valuable) oil will flow. Success here opens up potential for hundreds of millions of bbls of recoverable oil.

INVESTMENT VIEW – WELL POSITIONED

- MAY has 30% equity. MAY's Block 9 also has over 18 other prospects. More seismic and drilling next year is in prospect.
- So MAY is leveraged to a new deeper trend opening up as well as producing from shallow reservoirs.
- Our risked valuation is \$0.153/share.
- Success in Alameda-3 opens potential for Alameda field to be a multi-hundred million bbl of oil reserves, and for a big lift in our risked valuation.

Last published report = [RR_MAY230828](#)

RISKS

Melbana Energy has risks of early-stage oil & gas exploration/development companies, but are not limited to:

- MAY's Block 9 asset has **complex geology**, that makes interpreting 2D seismic difficult. While MAY has made great strides in complimenting seismic with other predictive processes, there remains high exploration risk.
- Risks also applies to laterally set appraisal wells, as reservoir quality can change markedly over short distances.
- **Appraisal well programs may fail** mechanically or for unknown reservoir factors. These may downgrade the extent of possibly recoverable oil volumes or value of the resource as the quality and flow rate of oil is variable.
- **MAY does not have operational cashflow** and relies upon farmout, asset sales, equity and other capital raisings.
- While Cuba has extensive oil and gas operations, it is still adapting to open foreign investment frameworks. While **approvals** have been forthcoming to date, this may not be the case as a program moves to the development stage.
- *While the United States restored diplomatic relation with Cuba in 2015, it maintains its commercial, economic, and financial embargo, making it illegal for U.S. corporations to do business with Cuba.*

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Buy	Hold	Sell
>20%	20% – 5%	<5%

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