

Relinquishment Report of License PL 719



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1 KEY LICENSE HISTORY

PL 719 is located 110 km north of the Johan Castberg Area, and 85 km west of the Wisting Area, in the southwestern Barents Sea. It is structurally situated in the southern part of the Fjerdjupet Sub-basin and it covers parts of blocks 7321/8 and 7321/9 (Fig. 1.1). Four prospects and two leads were identified in the 22nd Licensing Round application (see Fig. 1.2).

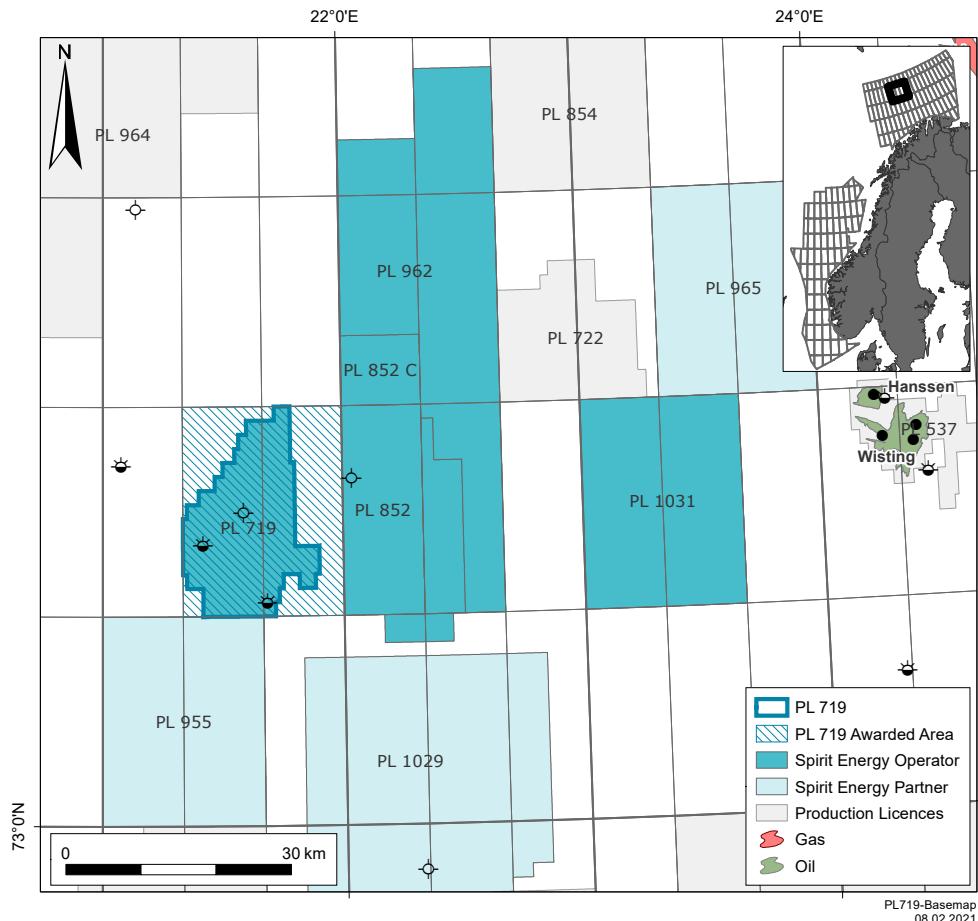


Fig. 1.1 License Overview Map. Map showing license area before and after partial relinquishment in 2020.

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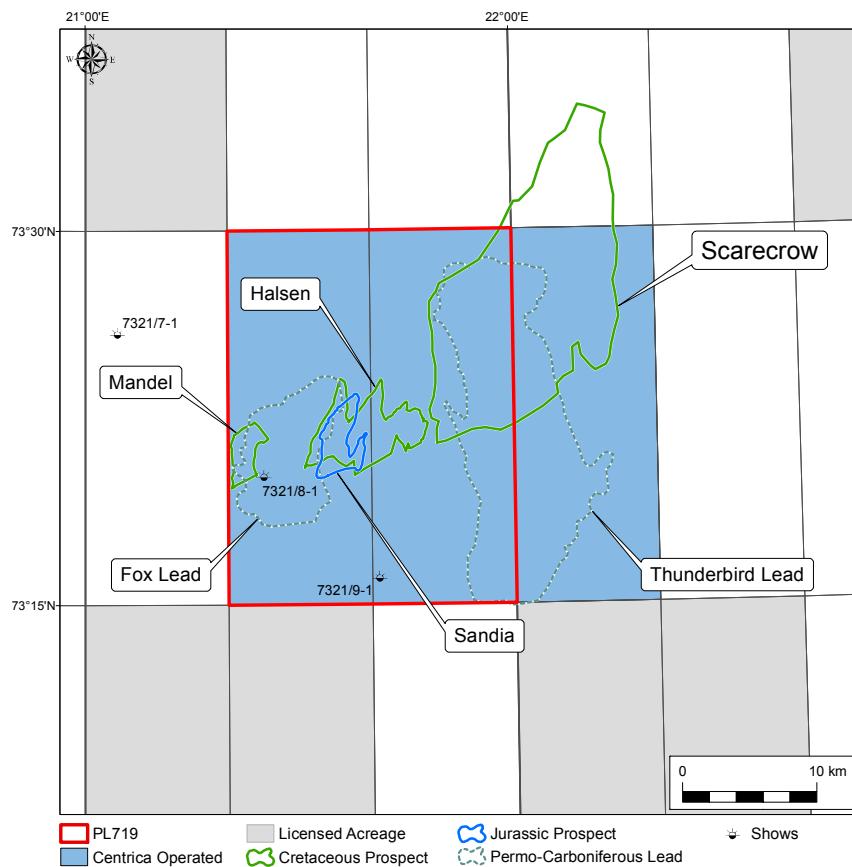


Fig. 1.2 Prospects and Leads Summary Map, 22nd Licensing Round. Map represents outline of PL 719 acreage and identified prospectivity at the time of the award in 2013 with Centrica as the operator.

Summary of Award and Participants

PL 719 was awarded 21.06.2013 as part of the 22nd Licensing Round to the following licensees:

- Centrica Resources (Norge) AS - 50% (Op)
- LUKOIL Overseas North Shelf AS - 30%
- North Energy ASA - 20%

The current (from 04.12.2018) license group consist of:

- Spirit Energy Norway AS - 50% (Op)
- LUKOIL Overseas North Shelf AS - 30%
- Aker BP ASA - 20%

The voting rules are 2 parties and minimum of 50%.

The commitment for the initial period was to acquire 3D seismic, which have been fulfilled. The Western Geco - IceBear2 3D seismic survey was licensed and reprocessed to WG1301CER17B. Applications for an extension of the drill or drop decision was approved by the MPE by letters dated 30.06.2016 and 26.06.2018,

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with the final drill or drop decision by 21.06.2019. A majority vote ended with a drill decision being made on the 19.06.2019 for the Sandia Prospect. The 7321/8-2 S well was spudded 01.06.2020 and plugged and permanently abandoned 01.07.2020 thereby fulfilling the work commitments.

A partial relinquishment of the licensed area was granted with effect from 22.01.2020, reducing the area from 529.291 km² to 317.291 km² (Fig. 1.1). Final relinquishment of license was approved in letter dated 01.02.2021 with effect 18.03.2021.

Initial Work Obligations

At the date of award, phase 1 of the work programme leading to a drill or drop (DoD) decision was valid to 21.06.2016 but later extended to 21.06.2018 and 21.06.2019. The work programme and duration of the license period is summarized in Table 1.1.

Table 1.1 Work Programme and Duration.

Period	Phase (>0)	Duration [year] (>0.0)	Work program	Decision at milestone
Initial period:	1	3.0	Aquire 3D data	Drill or Drop
		1.0	Extension - 21.06.2018	Drill or Drop
		1.0	Extension - 21.06.2019	Drill or Drop
	2	2.0	Drill exploration well	Concretise (BoK) or Drop
	3	2.0	Conceptual studies	Continuation (BoV) or Drop
	4	1.0	Prepare development plan	Submit PDO or Drop
Sum			Extension period [years] (>0.0):	2.0

License Meetings

During the license period 11 combined EC/MC meetings and 19 EC work meetings have been completed (Table 1.2).

Reason for Relinquishment

The 7321/8-2 S well tested the Sandia Prospect. In addition to being dry, the Sandia Well also confirmed the downgraded model for the Lower Cretaceous Scarecrow interval. The result had a negative impact on both volume and risk for the remaining prospectivity in the license with no economically viable prospects remaining.

Based on the post-well technical evaluation and technical-economic analysis from 2019 there are no drill-candidates within the licensed acreage.

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Table 1.2 Meetings in PL 719 between 2013 and 2020.

EC/MC meetings		EC work meetings	
Date	Purpose	Date	Purpose
8/20/2013	EC/MC meeting No. 1	3/24/2014	Prospectivity update and studies
11/29/2013	EC/MC meeting No. 2	3/25/2014	Core workshop
11/28/2014	EC/MC meeting No. 3	10/30/2014	Prospectivity update and studies
8/12/2015	EC/MC meeting No. 4	3/19/2015	Prospectivity update and 23 rd Licensing Round
3/9/2016	EC/MC meeting No. 5	6/18/2015	Prospectivity update
9/7/2016	EC/MC meeting No. 6	4/26/2018	Prospectivity update
12/7/2016	EC/MC meeting No. 7	8/17/2018	Work programme, reprocessing and studies
12/14/2017	EC/MC meeting No. 8	2/27/2019	Prospectivity update and studies
11/28/2018	EC/MC meeting No. 9	4/24/2019	Prospectivity update and studies
11/12/2019	EC/MC meeting No. 10	5/16/2019	Technical-economic analysis
11/20/2020	EC/MC meeting No. 11	8/12/2019	Sandia well location
		10/30/2019	Well concept
		12/12/2019	Data acquisition programme
		4/3/2020	Covid-19 risk assessment
		4/22/2020	Sandia scenarios
		5/11/2020	Pre-spud meeting
		6/10/2020	Sandia status meeting
		6/15/2020	Sandia status meeting
		9/2/2020	Post-well meeting

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2 DATABASE

2.1 Seismic Database

The seismic mapping of the license area was carried out using the PSDM reprocessed WG1301CER17B of the IceBear2 3D survey (Fig. 2.1 & Table 2.1).

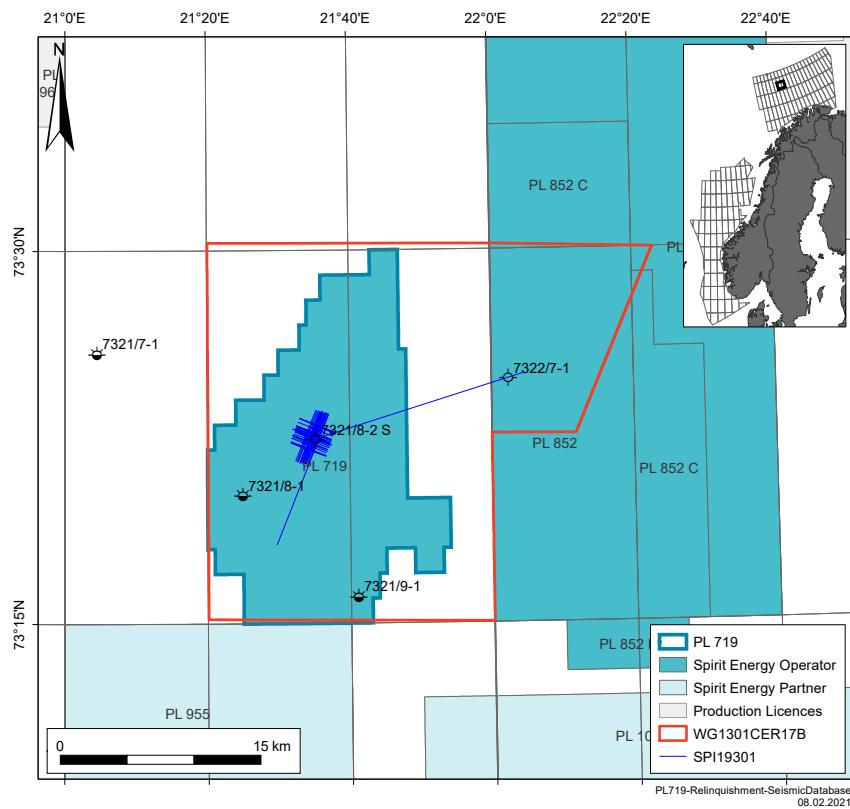


Fig. 2.1 Seismic Database in PL 719. Map showing seismic data coverage.

All seismic interpretation for the evaluation of the license was carried out on the WG1301CER17B PSDM cubes (Table 2.1) which generally are of good quality for structural interpretation down to the Late Triassic and of reasonable quality for the Middle Triassic to Permian (Fig. 2.2). Shallow gas anomalies within the Kolmule Fm degrades the seismic quality below in areas, but is not considered to greatly affect the estimation of gross rock volumes for the identified prospects and leads.

Due to the thickness of Middle Jurassic to Late Triassic reservoirs and limited seismic frequencies, mapping of Top Stø Fm and Base Fruholmen Fm (Top Akkar Mbr) reservoirs is challenging and resulted in minor miss-ties in the Sandia well. However, the confidence in the structural and stratigraphic framework is high. The Sandia well confirmed the velocity model in the PSDM to a high degree, but some uncertainties still exist related to seismic velocities below the Top Kolje syn-rift wedges. These wedges do not appear to affect the crestal part of the structures where the remaining prospects are located.

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Table 2.1 Seismic Database in PL 719.

Survey	Datasets	Owner	Area	Comment
IceBear 2	Full, angle stacks	Western Geco	729.5 km ²	
IceBear 2	Field tapes	Western Geco	a/a	
WG1301CER17B	Full, angle stacks	PL 719	729.5 km ²	PSDM reprocessed of IceBear2
SPI19301	2DHR site survey	PL 719		

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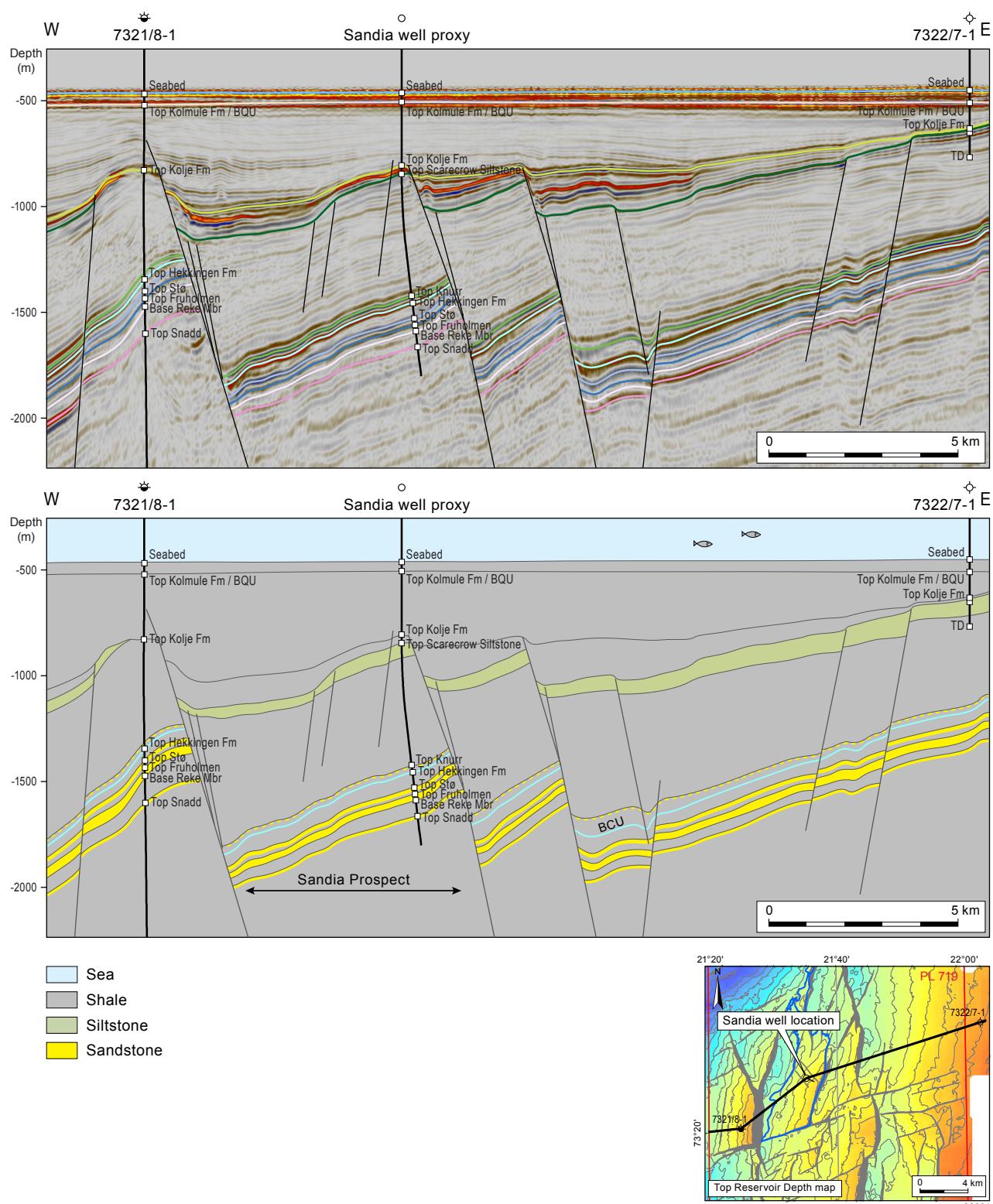


Fig. 2.2 Seismic Cross Section through PL 719. Seismic cross section from WG1301CER17B and corresponding geosection showing the interpretation framework and key well ties for PL 719. Only minor adjustments of the interpretation was needed after drilling the 7321/8-2 ST2 well. Shallow gas anomalies are present in the area and affects seismic imaging below as illustrated at the 7321/8-1 well.

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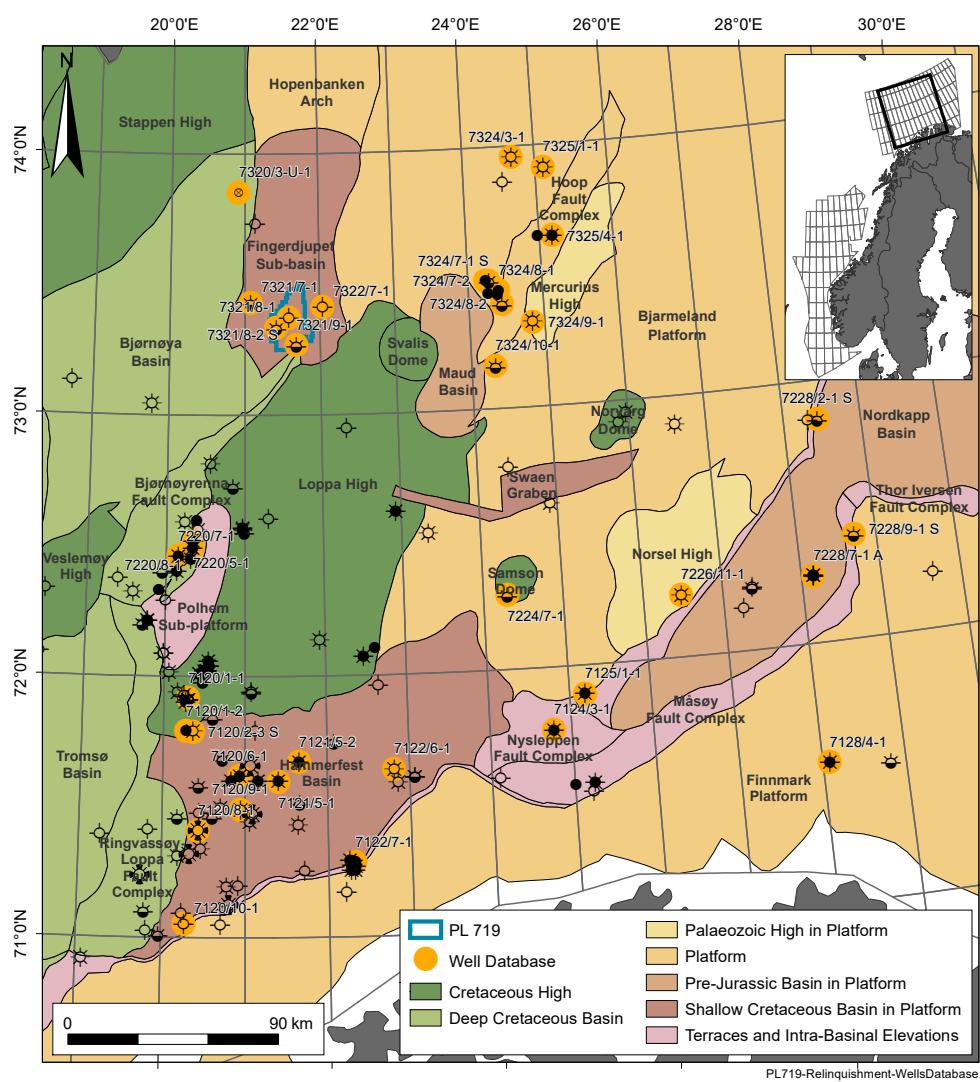


Fig. 2.3 Well Database. Overview of wells used in the license evaluation. Key wells are highlighted in orange.

7321/8-2 S and 7321/8-2 ST2 the Sandia well

The dry 7322/7-1 Scarecrow well negatively impacted the Cretaceous prospectivity in the area. This led to a shift of exploration focus to the Jurassic and Triassic Stø and Fruholmen Fms, which was the target in the tested Sandia Prospect. The wellbores 7321/8-2 S and 7321/8-2 ST2 were drilled during the summer of 2020 and TD'ed in the Snadd Fm. The well was largely in-line with pre-drill expectations but proved considerable underpressure, higher heterogeneity in reservoir thicknesses and quality and higher maturity of local source rocks than predicted. Only minor evidence of hydrocarbons and a possible paleocolumn were seen in cuttings from the post-well geochemical analyses, suggesting possible retention issues for the trap. Fluid inclusion analyses also indicates a similar retention problem as observed in nearby wells. This negatively impacts the remaining prospectivity within the license acreage. Detailed results of the well and post-well analyses can be found in the Geological Completion Report (Spirit Energy, 2020).

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3 REVIEW OF GEOLOGICAL FRAMEWORK

Studies and Evaluations

Drilling of wellbore 7321/8-2 S & ST2 (Sandia), seismic evaluations and numerous internal and external special studies were conducted to address the geological uncertainty related to reservoir quality and presence, trap risk, charge and migration. The results of these studies were incorporated into the maturation and final evaluation of the prospectivity within PL 719. The seismic evaluation and special studies initiated and delivered to the license are described below.

Stratigraphic and Reservoir Quality Assessment

Sedimentological analysis of core and cuttings of 7220/6-1, 7220/11-1 and shallow IKU wells (7320/3-U-01 & 7425/9-U-1) between 2015 and 2017 was conducted to assist in the evaluation of a potential Permian Carbonate Play within the license by Cambridge Carbonates.

A study to extract geological information from SHDT dipmeter data acquired in wells 7321/8-1 and 7321/9-1 was conducted by Eriksfjord in 2014 to validate the presence and orientation of Early Cretaceous clinoforms observed on seismic and related to the Scarecrow Prospect.

A biostratigraphic evaluation of wells 7321/7-1, 7321/8-1 and 7321/9-1 was conducted in 2014 by Ichron and additionally the 7321/8-2 S and 7321/8-2 ST2 wells were included in the post-well analysis. The results were integrated into the stratigraphical framework in 2020.

Data from the Sandia well is currently being analysed by GEUS as part of a regional provenance study of the greater Fingerdjupet Sub-basin. The results are not expected to impact the prospect evaluation but rather add to the existing database and regional models in the area.

Trap Risk and Sealing Capacity

A rudimentary fault seal analysis was conducted for the Sandia Prospect in 2015 by Atlantic concluding a robust top seal but high risk of Cenozoic fault leakage.

Water zone pressure build up, dissipation and possible hydraulic fracturing and leakage were modelled for the Fingerdjupet Sub-basin for the last 128 Ma by SINTEF in 2015. Due to software limitation, simulation of observed underpressures were not possible and hydrostatic pressures were simulated. The analysis concluded that no or little cumulative leakage had occurred from the Sandia Prospect which was disproved by the 7321/8-2 S & ST2 wells.

A study on the effect of glacial-isostatic uplift on differential uplift, tilting, spilling of hydrocarbons, phase transition from oil to gas, expansion of gas, cooling of source rocks and seal failure by Tectonor in 2018. The resulting stress model coincided with some evidence of gas escape along shallow faults, but a better correlation was made between mapped fault families related to Early Cretaceous post-rift subsidence and hence less emphasis was put on the Tectonor model.

In addition a comprehensive in-house trap and fault seal study comparing structural history and trap styles between the Fingerdjupet Sub-basin, Wisting Area and Polhem Sub-platform was performed leading up to the drill decision and later updated following the 7321/8-2 S & ST2 wells.

Petroleum System Analysis

A study was conducted by Torena in 2015 to evaluate the petroleum system for the Cretaceous Scarecrow and Jurassic Sandia prospects. The study encompassed the stratigraphic interval from the Carboniferous Tettegras Fm until the present with focus on charge from source rocks in the Middle Triassic Kobbe/

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Steinkobbe Fm, the Late Jurassic Hekkingen Fm and an interval in the Early Cretaceous Kolje Fm. The study concluded with possibilities of significant hydrocarbon charge including oil being present, but reduced sealing capacity related to Cenozoic erosion leading to potential leakage.

Geochemistry and basin modelling studies were conducted to reduce uncertainties relating to charge volumes and phase to the prospects in the license in 2017 and 2019 by Integrated Geochemical Interpretation (IGI) Ltd. The first phase of the studies focused on all potential source rocks in the greater Fingerdjupet Sub-basin area while the follow-up project focused on the older Paleozoic play and updating migration models to test migration vectors around the PL 719 license. Results suggested a single phase oil charge to the Sandia Prospect from local Hekkingen Fm, while condensate and gas were the main products predicted from Triassic source rocks. Older Permian source rocks were modelled to be very mature to overmature and gas generating which negatively impacted the economic potential of Triassic and older leads.

Geophysical Studies

Relative simultaneous AVO inversion and extended elastic impedance (EEI) inversion was conducted by Qeye in 2018. The primary objective of this project was to deliver quantitative interpretation results to map and quantify reservoir quality of prospective primary target levels in the Jurassic and Permian and secondary in the Cretaceous. Conclusions of the study showed a probable sensitivity to gas which was observed on the Ronja Prospect but not on the Sandia Prospect, but with a less clear difference between oil and brine.

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4 PROSPECT UPDATE

Early Cretaceous Play

Following the 22nd Licensing Round, the Scarecrow and Halsen Prospects were considered by the Operator to be the main prospects within the license and Sandia as a secondary target (Fig. 1.2). The Kolje Fm clinoforms were tested in the Scarecrow well in the neighbouring license PL 852 in 2018 and found indications of gas in low permeable siltstone (7322/7-1), which negatively impacted the Early Cretaceous Play. As a consequence the exploration focus shifted to the Middle Jurassic to Late Triassic Stø and Fruholmen Fms (Reke Mbr.). In the Sandia well (7321/8-2 S & ST2), the Scarecrow interval was affirmed to be low permeable siltstone to very fine sand with only indications of hydrocarbons, with limited follow-up potential. The Kolmule Fm might be acting as an effective regional top seal in the Fingerdjupet Sub-basin where it is not breached by late faulting, but the Early Cretaceous Play is not considered economically viable due to the lack of producible reservoir.

Middle Jurassic to Late Triassic Play

Sandia:

Following the Scarecrow well, re-focus within the license on deeper prospectivity, updated migration modelling and regional comparison of working trap styles in the Wisting and Johan Castberg Areas, resulted in a drill decision by majority vote for the Sandia Prospect in 2019. Sandia is a tilted fault block and was the largest untested structure in license with the highest probability of retention of hydrocarbons. The model relied on Sandia being protected from higher paleo-pressure believed to have caused vertical seal breach on the flanks of the Fingerdjupet Sub-basin and the Bjørnøya Basin, in addition to having a local oil source. The 7321/8-2 ST2 tested the Sandia structure roughly at the P80 column height location and only found minor shows in cuttings in slightly poorer reservoir than predicted. The local Hekkingen Fm source rock also proved to be more mature than expected. Post-well evaluation has concluded that failure is due to lateral seal failure in the Kolje Fm or vertical seal failure along faults which is reflected in the evaluation of remaining prospectivity (Fig. 4.1). Petrophysical ranges for the remaining prospects have been updated with the data from the Sandia well.

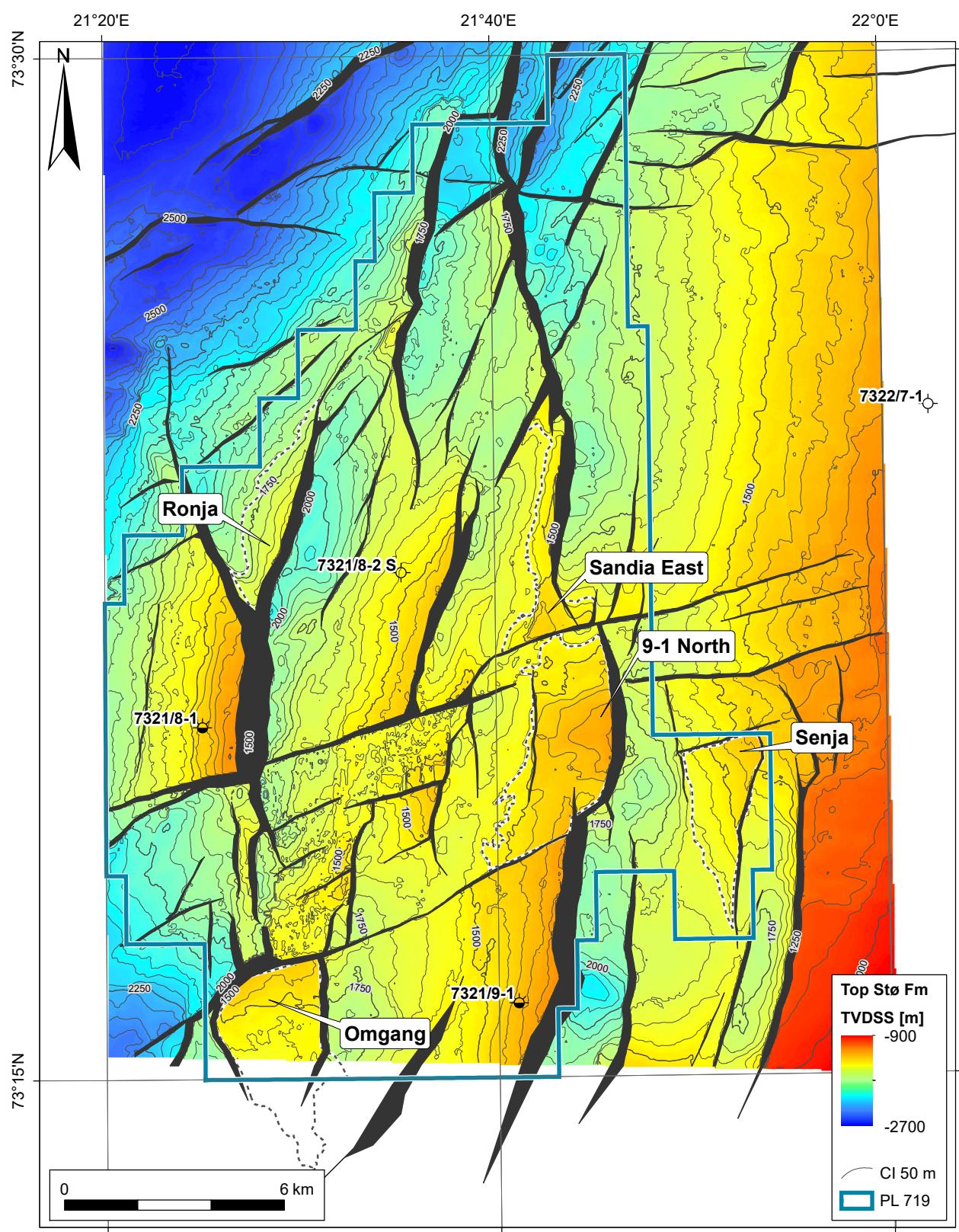


Fig. 4.1 Remaining Prospectivity in PL 719.

PL719-Relinquishment-TopReservoir
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Ronja Prospect:

The Ronja Prospect is a tilted fault block with Middle Jurassic to Late Triassic reservoirs west of Sandia and north of the 7321/8-1 well. Geophysical modelling suggest a conformable gas anomaly down to spill at 1790 m TVDSS (Fig. 4.1 and Fig. 4.2). Due to the limited gross rock volume a gas accumulation of such a size is of low materiality and a possible accumulation with an oil column exceeding the mapped spill down-to 2010 m TVDSS was modelled (Fig. 4.3). This model would require seal along the north trending fault with mapped sand on sand juxtaposition. Retention is regarded the highest risk due to similarities in geological setting and history with the four dry wells in the area, with a 30% probability of retaining hydrocarbons. Based on the location of the prospect on the flank of the Fingerdjupet Sub-basin, which was modelled as a gas prone basin, a probability of 20% for oil was added to the technical chance of success. The estimated total mean recoverable resource for an oil case is $6.79 \cdot 10^6 \text{ Sm}^3$ with a geological chance of success of 4% (Table 4.1). These volumes do not reach the economical threshold for a drilling candidate based on the technical economical evaluation completed in 2019.

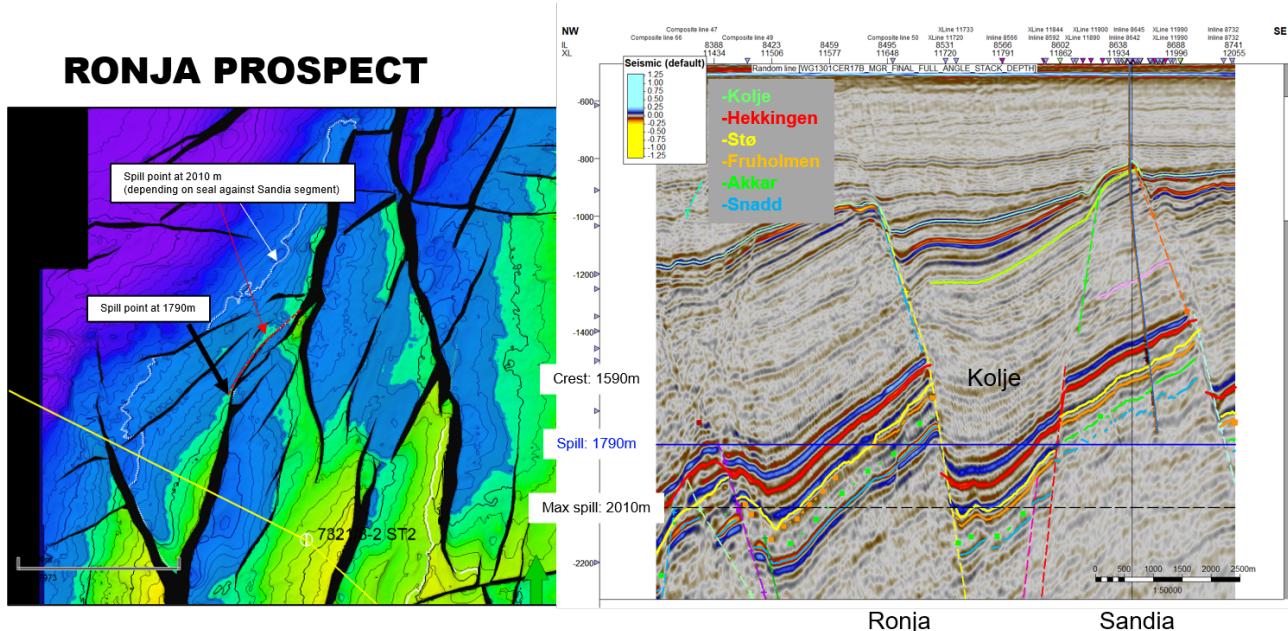


Fig. 4.2 Ronja Prospect.

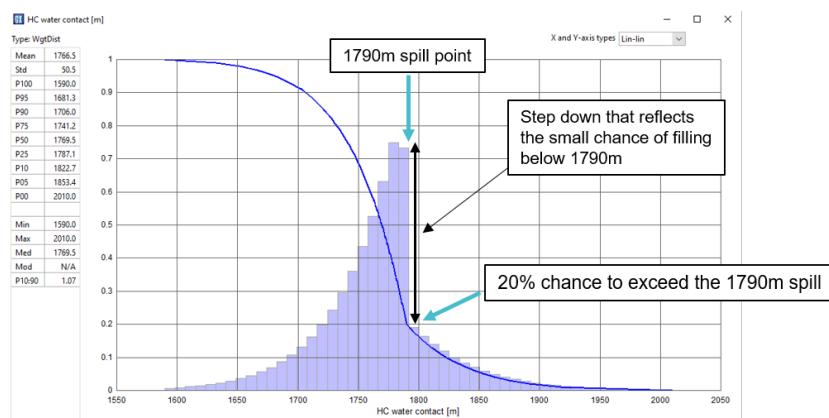


Fig. 4.3 Column Height Distribution for the Ronja Prospect. To evaluate the materiality of the prospects, column heights were allowed to exceed the shallowest mapped spill, but with a lower probability as exemplified with the column height distribution for the Ronja Prospect.

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Omgang Prospect:

The Omgang Prospect is a horst block with Middle Jurassic to Late Triassic reservoirs south of the 7321/8-1 well (Fig. 4.1 and Fig. 4.4). The majority of the prospect is located within the license and it is geologically similar to the Ronja Prospect and the 7321/8-1 structure in addition to having a shallow gas anomaly linked to shallow faults defining the trap. This is potentially evidence of leakage from the trap which reduces the probability of retention to 20%. Similar to the Ronja Prospect a probability of oil is estimated to 20% which reduces the geological chance of success for an oil case to 3%. Based on a similar fluid, reservoir and column height distribution as the Ronja Prospect, the estimated total mean recoverable resources for oil case is $9.44 \cdot 10^6 \text{ Sm}^3$ (Table 4.2).

OMGANG PROSPECT

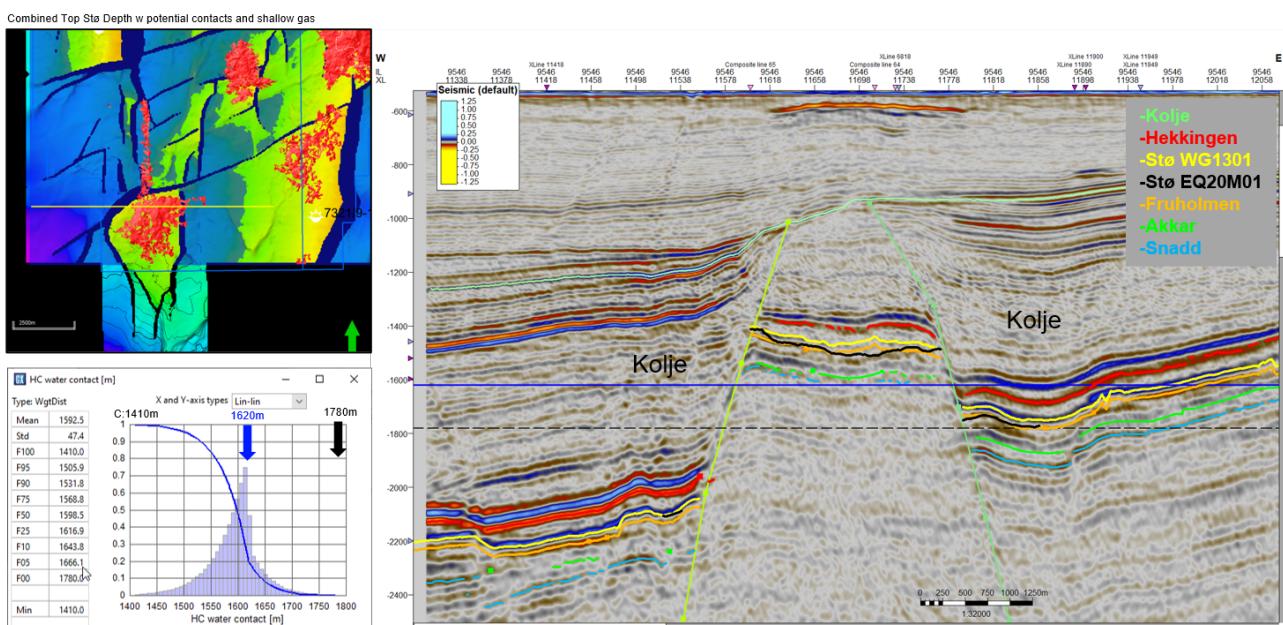


Fig. 4.4 Omgang Prospect.

9-1 North Prospect:

The 9-1 North Prospect is a tilted fault block with Middle Jurassic to Late Triassic reservoirs and with an independent crest north of the dry 7321/9-1 well. A NE-SW trending Late Jurassic fault with a likely sand on sand juxtaposition was considered a potential barrier to the southern fault block to allow a potential higher oil column (Fig. 4.1 and Fig. 4.5). Retention of hydrocarbons is considered the highest risk with a 20% probability, but due to its location further away from the basin flank a higher probability (50%) of oil was allowed, giving an overall geological chance of success in an oil case of 5%. Based on a similar fluid, reservoir and column height distribution as the Ronja Prospect, the estimated total mean recoverable resources for an oil case is $3.06 \times 10^6 \text{ Sm}^3$ (Table 4.3).

9-1 NORTH PROSPECT

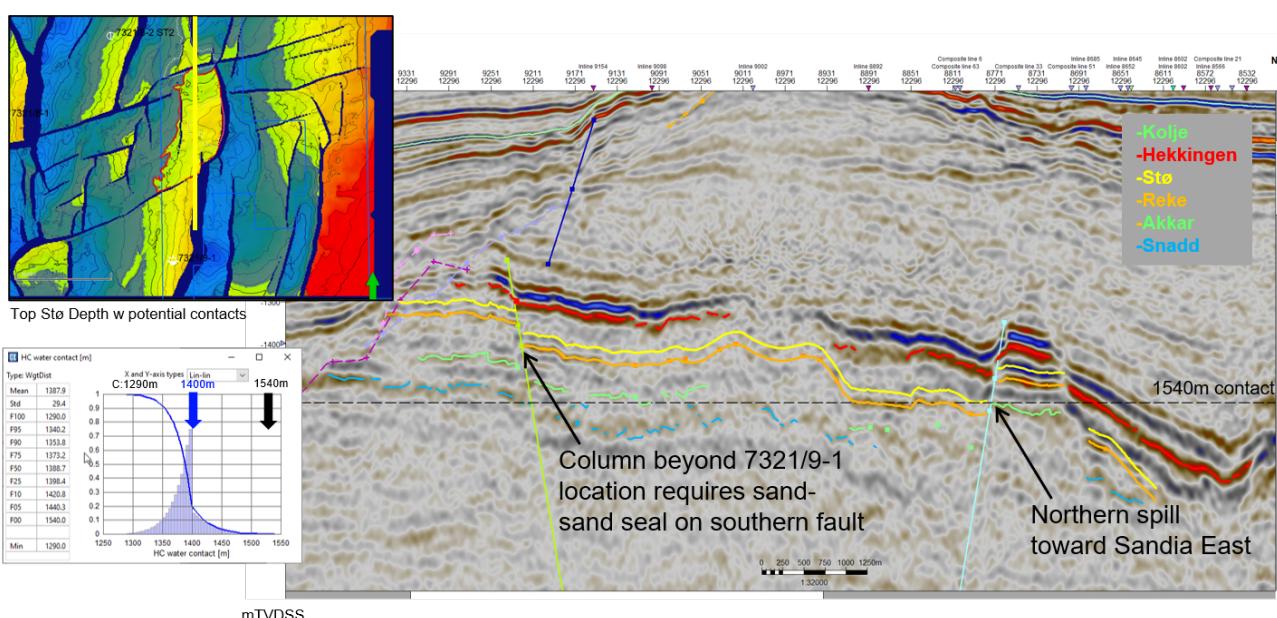


Fig. 4.5 9-1 North Prospect.

Sandia East Prospect:

The Sandia East Prospect is a tilted fault block with Middle Jurassic to Late Triassic reservoirs situated directly east of the Sandia structure (Fig. 2.2, Fig. 4.1 and Fig. 4.6). This structure bear a resemblance to the Sandia structure but is considerably smaller. Similar to the other structures the retention of hydrocarbons is considered the highest risk with 30% probability, similar to the 9-1 North Prospect the probability of oil is 50% and overall chance of success for an oil case is 8%. Based on a similar fluid, reservoir and column height distribution as the Ronja Prospect, the estimated total mean recoverable resources for an oil case is $2.83 \cdot 10^6$ Sm³ (Table 4.4).

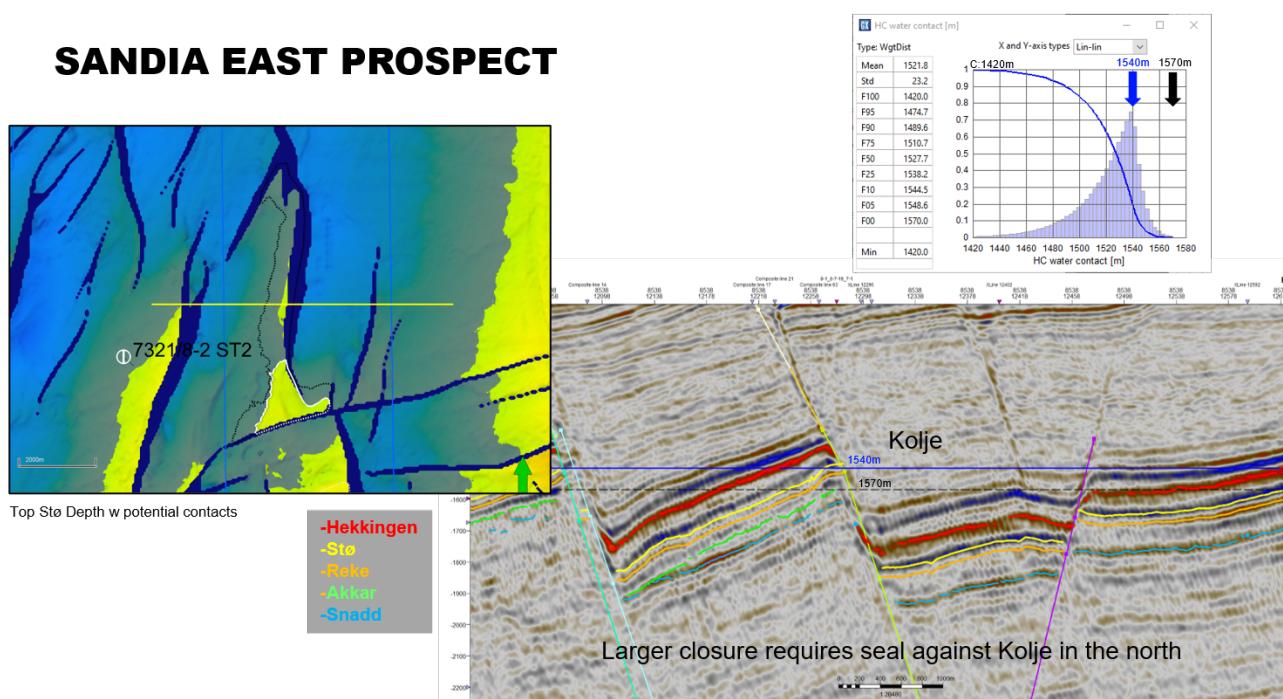


Fig. 4.6 Sandia East Prospect.

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Senja Prospect:

The Senja Prospect is a tilted fault block with Middle Jurassic to Late Triassic reservoirs and the easternmost prospect in the license (Fig. 4.1 and Fig. 4.7). Senja is the only prospect not reliant on lateral seal against the Kolje Fm but due to diminishing fault throw and likely sand on sand juxtaposition at the crest, the trap risk is considered high with 40% probability of being effective. Similar to the 9-1 North Prospect the probability of oil is 50% and overall chance of success in an oil case is 6%. Based on a similar fluid, reservoir and column height distribution as the Ronja Prospect, the estimated total mean recoverable resources for an oil case is 0.42 10⁶ Sm³ (Table 4.5).

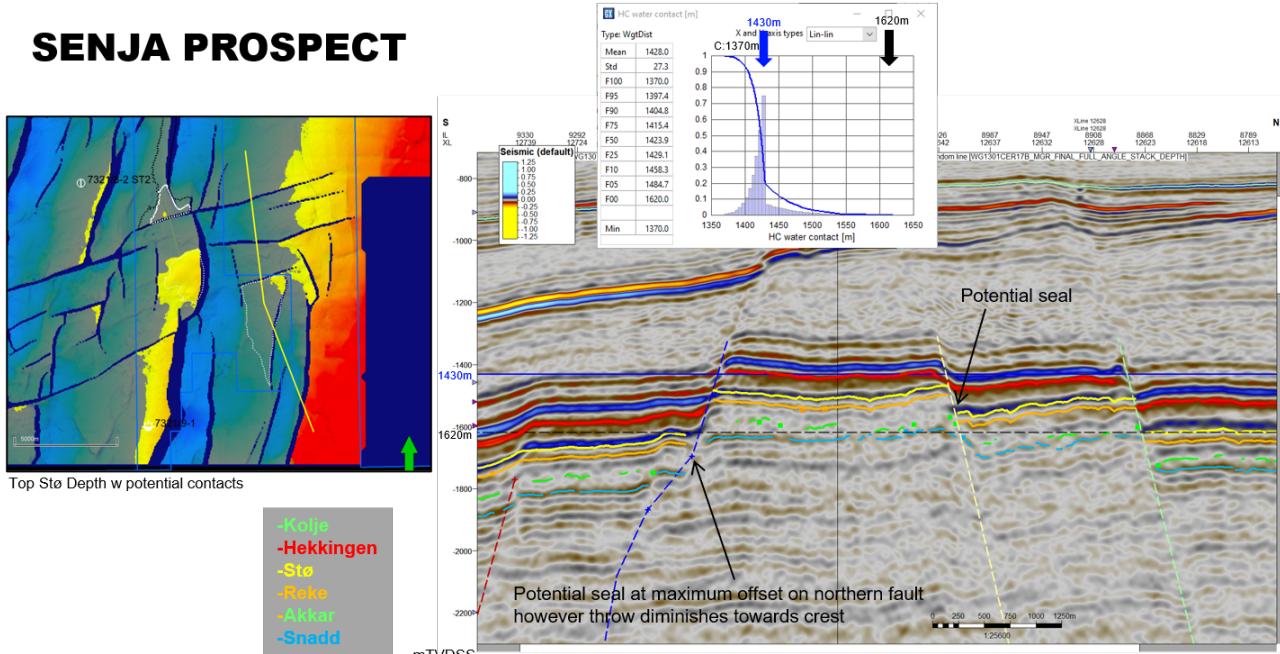


Fig. 4.7 Senja Prospect.

Permian Play

The 7321/8-1 well is the only wellbore in the Fingerdjupet Sub-basin which has reached the Permian and did not discover any evidence of reservoir or hydrocarbons. Basin modelling results concluded that required pre-Triassic source rocks are most likely gas prone if present. Due to very high source and reservoir risk and limited gross rock volume the Permian Play is considered to be of very low materiality and no drilling candidates have been identified.

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5 TECHNICAL EVALUATIONS

A technical evaluation was performed addressing the different development scenarios in case of a Sandia discovery in 2019. Due to distance to future infrastructure, the development plan for a P50 oil case discovery was a stand-alone development, with subsea templates and a total of 8 production wells (Fig. 5.1). In case of a P10 discovery, two sub-sea templates with 18 production wells was evaluated as the best solution. Pressure lift by water and gas injectors would also be required due to expected low reservoir pressure in the Fingerdjupet Sub-basin and waxing due to low temperatures is a potential risk.

SANDIA DEVELOPMENT CONCEPT (2019)

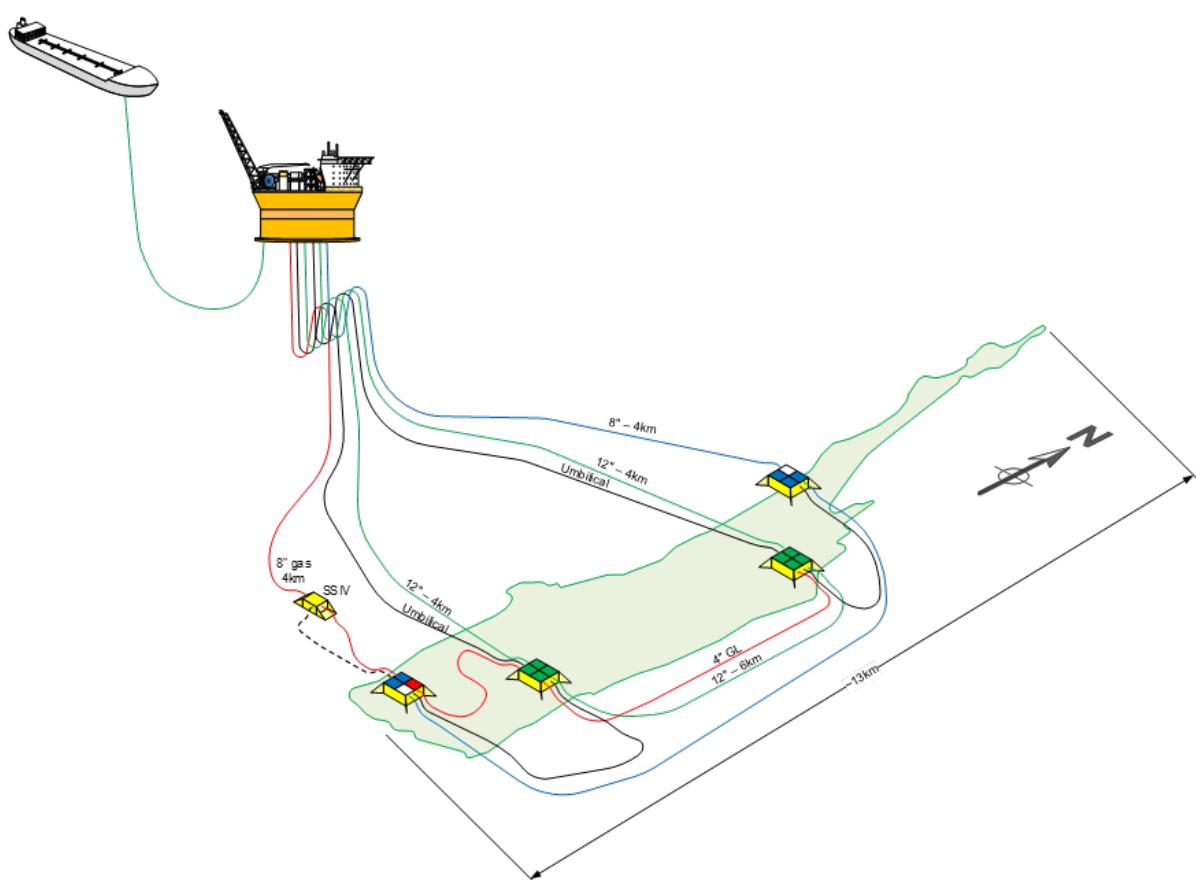


Fig. 5.1 Sandia Development Scenario. The development plan for the P50 consisted of a stand-alone development with subsea templates consisting of eight producers, five water injectors and one gas injector.

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6 CONCLUSIONS

Phase 1 of the work programme leading up to the drill or drop decision has been fulfilled by licensing and reprocessing of the Icebear2 3D seismic survey to the WG1301CER17B and conducting G&G studies in the license. This led to maturing the Sandia Prospect to a drill decision in 2019 and drilling of the 7321/8-2 S and 7321/8-2 ST2 wells in 2020, thereby fulfilling Phase 2 of the work programme. Based on the well result, volume range and previous technical-economic evaluations, the remaining prospects do not meet the economic criteria needed to make a positive drill decision. The remaining prospectivity in the license is not economically viable to pursue any further, based on the volume calculations and the minimum economic field size calculated in the area.

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7 REFERENCES

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