



Opes Prime takes some gush out of annual oil bash, but highlights emerge

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Record prices couldn't make oil producers smile, but there was still some good news

FOR an industry enjoying record prices, there was not much hoopla at the oil and gas industry's annual bash in Perth last week.

Marcia Hines did her best to fire up the oil barons in a glittering performance on the final night of the Australian Petroleum Production & Exploration Association conference. But the mood remained downbeat despite the lubricating effects of \$US110 a barrel oil prices.

It seems any chance the 2600 delegates had of getting into a party mood were dashed by the Opes Prime scandal, with the usually upbeat oil and gas explorers the glummost of the lot at APPEA.

It was not that any of them were caught up in the scandal in any big way. It was just that, when taken with the subprime sell-off in equity markets, the Opes scandal means that equity funding for explorers of any persuasion has got a lot tougher.

So the word at the APPEA conference was, "watch out for a wave of rationalisation and consolidation among the junior explorers".

Having said all that, it would be wrong to think that it was all gloom at the three-day oil bash. Garimpeiro managed to find three upbeat stories while working Perth's half-full bars and restaurants - Australian Worldwide Exploration (ASX: AWE), Karoon (ASX: KAR) and Burleson (ASX: BUR).

NZ Tui project the right currency for AWE

AUSTRALIAN Worldwide Exploration boss Bruce Wood could not get the smile off his face at the conference. Thanks to bumper production from the Tui oil project offshore New Zealand, AWE will be sitting on about \$300 million in cash by the end of the financial year.

It will also be debt free and unhedged, allowing the \$1.6 billion group to capture the full benefit of record oil prices to fund its next growth phase.

But it is Tui that is the main driver in the medium term. The oilfield (AWE is operator and 42.5% owner) is set to produce 13 million barrels of oil this year, which, with oil at more than \$US100 a barrel, is enough to have an impact on the NZ dollar. Just ask the Treasury. It has regular contact with AWE so it can model Tui's contribution to gross domestic product.

AWE closed on Friday at \$3.60 a share, which is about right given current expectations about the life of Tui.

But watch out for a new reserves statement come mid-year. Initially developed on the basis of 27.9 million barrels of reserves, the estimate was upgraded to 41.7 million tonnes after four months of production.

Any material addition to reserves - which many analysts are tipping - will have an immediate impact on AWE's valuation.

Karooon catching the the big **gas** wave

KAROON Gas boss Bob Hosking kept his head clear during the conference by swapping his business suit for a wet suit.

Early morning surfs in the Indian Ocean also served to keep Hosking's excitement under control. It's been running high because the back half of this year will be as big as it gets in the exploration game for a company the size of the Melbourne-based Karoon.

Later this year, Karoon's shot at becoming a player in the booming liquefied natural gas industry will pan out, with the first wells in a joint venture with US giant ConocoPhillips in the Browse Basin offshore Western Australia due to be drilled.

The joint venture is chasing a big prize. Karoon has estimated the potential at (risked) reserves of 20 trillion cubic feet of gas and 600 million barrels of condensate (light oil).

Put simply, there is probably no bigger leverage play in the world for a company of Karoon's size with its \$2.40 share price and \$316 million market capitalisation.

Karoon is fully funded for the drilling campaign, having had the foresight to pull in funding during better times on the equity markets.

It's not for Garimpeiro to say what impact success in the program might have on Karoon. That's best left to Southern Cross Equities, which said back in October that a potential \$20-\$40 share price "could result over time from a successful outcome of Browse drilling".

Dallas could come calling for Burleson

BURLESON Energy is one of the 40 ASX-listed stocks that have onshore oil and gas in the US as their main focus. But unlike most of them, Burleson has secured a cash flow, with the four wells drilled since its May 2006 listing all in production.

Revenue in the December quarter was more than \$750,000.

That was ahead of the Marlin 1 success and what might come from the 25 prospects and leads yet to be tested in the group's Texas joint venture ground.

It has a market cap of all of \$12 million (1¢ a share) and is holding cash of about \$3 million, giving it an enterprise value of about \$9 million.

It would only take one or two more successes in the group's Texas program for some J.R. Ewing type to have a look at taking it over.