

Bullish brokers tip stocks to watch

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Wednesday, 2 May 2007

THERE'S no turning back to the days of cheap oil, says Fat Prophets analyst Gavin Wendt.

"I don't think we're ever going to go back to \$15/bbl, I don't think we'll even go back to \$40/bbl," Wendt says.

"A lot of sceptics were talking the oil price down to \$50/bbl, but oil's returned to the \$US60/bbl like we thought it would and we can actually see a lot more upside this year alone."



Flaring an offshore discovery.

With the exception of Hartleys analyst Andrew Rowell, who expects the oil price to gradually drop to \$US45/bbl by 2010, most analysts that ResourceStocks spoke to say it will hover around the \$US60/bbl mark until at least 2008 and rise again from that point.

UBS senior analyst Gordon Ramsey says there is "definitely potential for price hikes" but expects oil to hover around the \$US60-\$US65 range over the next three years.

Companies that will benefit from the higher oil price environment will be those with rising production and new projects coming online, Ramsey says.

"Those companies bringing onstream new production, especially oil, are going to get the benefit of a pretty strong revenue stream if they can deliver their projects," he says.

"It's a combination of having a higher price environment but also being able to take advantage by delivering production into it."

Cooper Energy

Cooper Energy may be a small company but Hartleys resources analyst Rowell says it could have a big future.

Since listing on the ASX in March 2002, Cooper has continued to post excellent growth results and in 2006 delivered a profit after tax of \$9.4 million.

Cooper has had plenty of successes in the Cooper Basin and has acquired exploration interests in Morocco, Tunisia and Indonesia.

During the half-year, the company and Beach discovered the Callawonga oil field in South Australia and brought it into production, boosting Cooper's oil reserves by 400,000 barrels of oil and helping to support its oil production into 2007.

There is also potential for further corporate or project deals with Mosaic Oil, which it made a strategic investment in during the first half, increasing its holding to 6.64% in January.

But it is Cooper's acquisition of a 22.5% interest in the high-value offshore Seruway block in north Sumatra, Indonesia, that Rowell says could put the company on the map.

The Seruway Production Sharing Contract (PSC) is 50km from Mobil's under-used Arun liquefied natural gas plant and to date, six oil and gas discoveries have been made in the block, with identified potential for 400bcf-2.7tcf of gas and 20-150MMbbl of condensate.

"The large identified potential and high probability of success indicates that this acquisition has the potential to be a company-making transaction," he says.

"The Seruway PSC expands Cooper's exposure to high-impact discoveries and provides immediate access to discovered hydrocarbons that are close to infrastructure. The drilling of high-impact wells at Kurnia and Seruway in mid-late 2007 could provide a solid platform for news flow.

"We expect the acquisition to be a positive catalyst for the Cooper share price."