

Cooper Energy explores its potential



Cooper Energy chief executive Mike Scott.

With an excellent international exploration portfolio providing outstanding growth potential, Perth-based oil producer Cooper Energy is expecting continued success in 2007 and beyond. By **Wally Graham**

Cooper Energy listed on the ASX in 2002 and had immediate oil production success with the discoveries of the Sellicks, Christies and Worrior oil fields in 2002-03.

This early production success had an enormous impact on the perception investors now had of the company. All at once the market's focus was being aimed at the magnitude of the company's production and reserves, which distracted its attention away from the significant growth potential held within the company's international exploration portfolio.

There is plenty of evidence to suggest that Cooper Energy should be deemed a

growth company. Its established reserves and production base have enabled the company to expand its robust international exploration portfolio without ever needing to call on shareholders for further funding. Recent additions to the portfolio, in Indonesia and Tunisia, are an indication of how Cooper Energy is providing its shareholders with great potential for high share price appreciation.

In a recent discussion with *RESOURCESTOCKS*, chief executive Mike Scott explained how the reality that Cooper Energy is close to becoming a major exploration company is slowly but surely starting to be recognised by the

market.

"Following our early success in the Cooper Basin, Cooper Energy was originally heavily promoted as an oil production company," Scott said.

"Because there are a large number of small exploration companies listed on the ASX, this production promotion tactic was used to differentiate us from the other companies that only had exploration potential.

"The major difference between us and the other smaller companies was that we actually had production revenue feeding our exploration cash requirements.

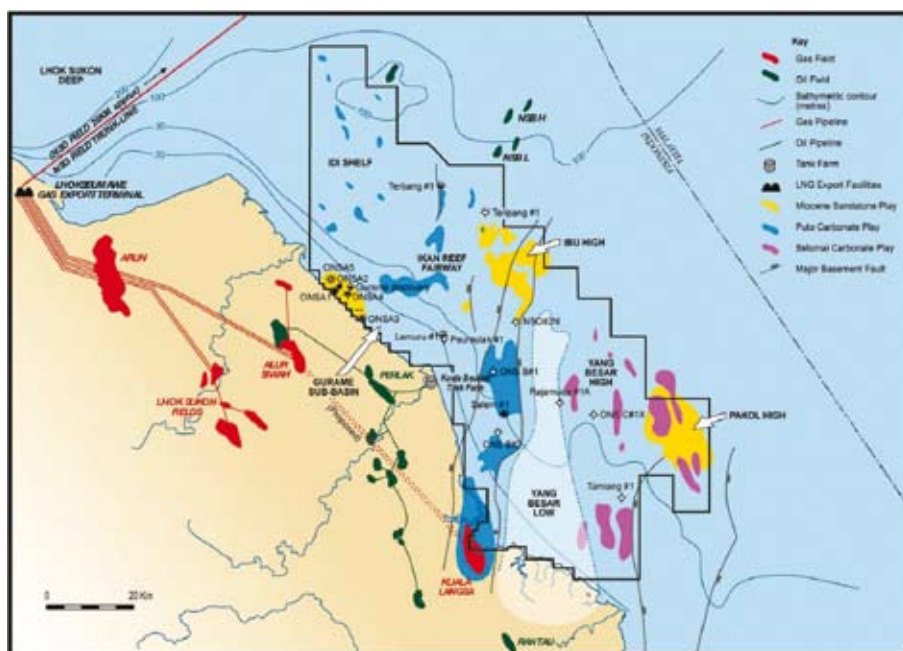
"After we had secured a few high value overseas projects, we began to realise that the risked value of our exploration portfolio was starting to exceed our Cooper Basin reserves portfolio.

"We considered that our market capitalisation was represented by our cash reserves plus the net present value of our oil reserves with absolutely no value attributed to our exploration assets.

"This surprised us, as many of our peers were all blue sky with limited cash and no production.

"In the end we realised that although the small production we have in the Cooper Basin is successful, we needed to re-introduce ourselves to investors as a high potential growth exploration company with international assets that all have the potential to substantially change our value in a very short time frame.

"Some of the permits we have accumulated in the international arena such as the South Madura Product Sharing



The acquisition of Rion Energy gives Cooper Energy a 22.5% strategic interest in the Seruway PSC.

Contract and the Seruway PSC, which we have just picked up through the recent acquisition of Rion Energy, have enormous potential for growth.”

Cooper Energy added to its exploration portfolio recently with its acquisition of Rion Energy. The acquisition gives Cooper Energy a 22.5% strategic interest in the Seruway PSC in northeast Sumatra, Indonesia.

The Seruway PSC has a number of discovered gas fields and a large number of leads and prospects in a proven hydrocarbon region. Within the PSC is the undeveloped Gurame gas field, which has estimated recoverable reserves of 400 billion to 2.7 trillion cubic feet (Tcf) of gas and 20-150 million barrels (MMbbl) of condensate. Cooper Energy's reserves definitions classify the Gurame reserves as being “discovered static”, which means they have been discovered and are considered to be economic but are waiting for the field development plan to be defined and approved.

The Gurame gas field was originally discovered and delineated during 1967-1972 when gas was considered to have limited commercial value in the region. At this time the field was, in terms of technical evaluation, poorly appraised. As a result of the poor technical evaluation, a large uncertainty concerning the flow rate capacity of the reservoirs exists, which in turn has resulted in a large uncertainty in the quantity of hydrocarbons that can be recovered and the value of the field.

Three-dimensional seismic has just been completed on Gurame and Cooper Energy is planning to drill an appraisal well there later this year with the primary objective being to test the flow capacity of the reservoirs. Should the reservoirs demonstrate reasonable flow rates, then Cooper is confident that it will have a major development on its hands. Based on technical evaluations, the well is considered to have an extremely high chance of being successful.

In addition to the Gurame gas field, the Seruway PSC also contains a number of other discovered undeveloped gas fields, as well as several other mature prospects plus a further 35 leads and prospects, all of which will require further seismic studies before reaching maturity for drilling. These other leads and prospects are estimated to have a total recoverable reserve potential greater than 10Tcf of gas and 500MMbbl of condensate.

The Seruway PSC acquisition represents a significant addition to Cooper Energy's international oil and gas portfolio and means the company will have a second major impact well being drilled later this year. Its other high potential impact well being the Kurnia-I well in the South

Madura PSC, which was recently subject to a 15% farm-out.

Cooper Energy recently farmed out 15% of its 45% interest in the onshore South Madura (PSC), which covers the southern half of Madura Island, Indonesia, some 120km northwest of Bali in the East Java Basin to Nations Petroleum, a substantial private oil and gas company that has interests in California, Azerbaijan and Indonesia. In the event of discovery, Nations has also offered to assist during the development and production phases, which fits with Cooper Energy's business strategy of maintaining a lean and low-cost operating organisation.

The farm-out provides Cooper Energy with a free-carry through the Kurnia-I well, providing the company with a saving of \$US4.1 million and a free-carry in the 2007 2D seismic program, a further saving of \$1.5 million. Cooper Energy will also receive a partial payment of back costs of \$550,000. This results in a package of financial benefits totalling \$6.15 million.

As part of the total transaction, Cooper Energy will also take over 100% ownership of the South Madura Exploration Company, providing the company with a low-cost operating office in Indonesia, from which it will continue to operate the South Madura PSC, giving it a base to aggressively pursue additional exploration and production opportunities within Indonesia. The agreement means Cooper will retain a significant 30% exposure to the South Madura PSC.

The block lies immediately to the north of the Jeruk and Oyong oil and gas fields with the Kurnia-I prospect situated in the south of the PSC. The well has two target horizons: an upper horizon at approximately 1260m that is expected to contain gas within the Ngrayong sandstone and an oil target within the Kujung carbonate platform at 3020m.

Should it become discovered, the Ngrayong gas prospect has the potential to yield 256 billion standard cubic feet of recoverable gas. The Kujung oil prospect has the potential to yield 199MMbbl of recoverable oil. There are other formation horizons existing in the well that also hold the potential to yield oil or gas discoveries. Any new gas discoveries would be expected to contain condensate, which would add to the value of any gas development.

In addition to the South Madura PSC and the Seruway PSC, Cooper Energy also has a 100% stake in the Bargou Prospecting Licence in Tunisia. The Bargou block contains a large number of leads and prospects all with the potential to contain a significant volume of recoverable hydrocarbons.

“The Tunisia block is a bit of a sleeper

at the moment in our exploration portfolio because it is very early days in its evaluation,” Scott said.

During the past year, Cooper Energy has been collecting existing data and identifying leads and prospects at Bargou. The company's next step will be to acquire some regional 2D seismic this year and then some prospect specific seismic in 2008 with the aim of drilling a well in 2009 or later.

“The block must have some attraction because we keep getting approached by third parties interested in farming in,” Scott said.

“We consider it to be too early yet and we will probably add some further value before we consider any offers.

“Unless the offers are too good to refuse.”

This year is shaping up to be a significant year for Cooper Energy, with high impact events in the South Madura and Seruway PSCs plus further exploration drilling in the Cooper Basin to follow interpretation of a large 3D seismic survey in PEL92. **RS**

cooper energy at a glance



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Market Capitalisation

\$79.34 million (at press time)

Major Shareholders

Westpac Custodian Nominees Limited 6.82%
National Nominees Limited 6.34%
Gregory George Hancock 1.80%