



Louisiana well costs run too deep for explorer Target

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TARGET Energy, a Perth-based petroleum explorer dedicated to exploring targets in the US, has learned an early lesson.

The company, which listed in November last year, has decided against taking up an option to be part of drilling a Louisiana well that sounds highly attractive but is also outside the company's cost profile.

Managing director Laurence Roe, a 25-year veteran of the oil and gas industry, makes no bones about the decision.

"The Berwyn prospect is definitely a company maker and from that position it was tempting to take up our 10 per cent now," he said. "But the costs have expanded and the well just grew too much for us to cover."

A geophysicist by training, Mr Roe has worked in the industry both in Australian and international projects.

Like so many in the industry, he began with Santos, then moved to Magellan, where he became exploration manager.

While with Magellan, he had substantial involvement with US and other international projects, which gave him a feeling for how small companies could leverage

off more substantial operators but still produce a decent living.

After leaving Magellan 10 years ago, Mr Roe began consulting with clients that included Santos, Strike Oil and Icon Energy. More recently, he consulted to Hardman Resources Limited, working on their Mauritanian deep-water acreage at the time of the major Chinguetti oil discovery.

He subsequently became Bounty Oil's exploration manager, moving on to become that company's managing director.

Mr Roe says his experience encompasses most Australian sedimentary basins, as well as the US, New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina. He says that gives him an edge in managing Target Energy's program.

Target was formed to explore for and produce hydrocarbons in the US, which, Mr Roe says, continues to be one of the best operating environments for oil and gas in the world because of high value for products and low sovereign risk. A number of Australian companies, ranging from BHP Billiton to Woodside to Petsec, have a similar view and have spent billions of dollars in aggregate to establish positions.

Texas and Louisiana, the initial

operating areas selected by Target, are well-established petroleum provinces that continue to deliver discoveries to fuel the energy-hungry US market.

Mr Roe said good access to infrastructure, modern technology and a strong technical team at Target made for the development of a successful oil and gas business.

This has resulted in three discoveries in the first four wells the company has drilled.

He is a keen believer in using 3D seismic, a technique that smaller operators in the US don't necessarily adopt but a technology that has been adopted in Australian onshore exploration during the past decade.

Mr Roe conceded the first well Kant drilled in Texas in December came up dry, which was a disappointment.

But the Thoroughbred well drilled in Texas in March targeting 0.75 billion cubic feet, in which Target has a 25 per cent working interest, is now on production.

Snapper A-1 in Louisiana, another well in which Target holds 25 per cent, flowed 2.1 million cubic feet of gas a day in April, while the latest well, Garwood, is classified as a discovery having

found multiple pay zones in a target estimated to contain 1.25 billion cubic feet.

"It's low-to-medium risk drilling, with shallow targets close to infrastructure," Mr Roe says, while pointing out that the program did not involve rocket science.

What it does is provide early cash flow, which is important at the minnow end of the exploration sector.

That is why Target is taking part in six more exploration wells this year looking at prospects estimated to contain up to 97 billion cubic feet of gas and 3.65 million barrels of oil.

This program does not include the Berwyn prospect in Louisiana, estimated to contain up to 305 billion cubic feet of recoverable gas in a target deeper than 15,000 feet, in which Target has 10 per cent, has not been abandoned, but is classified as deferred, pending a reduction in drilling costs.

Mr Roe says Target, with \$6.2 million in the bank, will aggressively pursue opportunities in a bid to secure a better stock market rating.



Industry veteran: Laurence Roe in Target's Perth office

Picture: Marie Nime