



# STRONG STRATEGY PUTS TARGET AMONG THE BIG PLAYERS IN THE PERMIAN BASIN

The right strategy in the right place at the right time is a combination that Australian-based oil and gas producer **Target Energy Limited (ASX:TEX)** believes will translate into strong shareholder returns in both the short and long term

Target holds and is currently producing from landholdings in the West Texas Permian Basin – the largest onshore hydrocarbon basin in the US.

Target business development manager Ross Dinsdale says the application of new technology in proven areas of productivity like the Permian Basin is a low-risk, low-cost opportunity for smaller-cap companies to achieve significant production. Target currently has four producing wells in its Fairway project in the Permian Basin.

“Our last quarterly net production figure was 251 barrels of oil equivalent a day (BOEPD), and we have since then successfully drilled a new oil development well, Pine Pasture #3, at our East Chalkley Oilfield in Louisiana and have recommenced drilling at Fairway with our first well of the campaign, Darwin #3, recently announced as a success and will be soon completed as a producer,” Dinsdale said.

“The gas that we are producing in our Permian Basin properties has a high-energy content, so we’re getting a premium to the dry gas prices and were getting around \$100 per barrel for oil, so that’s good oil and gas pricing.

“We have also managed to increase our lease-holdings on the already producing Fairway Project by 22 per cent and we secured an additional \$1.8 million in funding to carry us through our 2013 development program.”

Dinsdale said the scale of the Permian Basin and the opportunities it offered were often not well understood.

“Not only is it the largest onshore hydrocarbon basin in the United States, it’s also the most prolific, it’s producing around 1.3 million barrels of oil per day at this point in time,” he said.

“To put it into context, that is roughly three times Australia’s total oil output. In terms of summing up activity, if you look to the rig count, there are over 460 rigs currently running in the Permian Basin, over 23 times Australia’s operating rig count – both onshore and offshore.

“Innovations in drilling and completion technologies have sparked a renaissance in the Permian Basin and the operational success and level of activity is remarkable. Apache Energy has committed to spend US\$2.4 billion in the Permian Basin in 2013, marking a six-fold increase in their investment in the basin in just three years. The Permian Basin is also a very strong merger and acquisition market. In 2012 it accounted for about 25 per cent of all the US onshore merger and acquisition activity over US\$100m, so there are a lot of reasons to be very positive on the Permian Basin and we’re certainly very pleased to be positioned in proven and productive oil fairways.”

The Permian Basin has a series of thick, stacked, oil-bearing formations that provide opportunities for small and large companies to co-exist and operate within their capital means.

“Target is primarily focused on a carbonate reservoir which provides high, sustained rates of production and robust well economics but there are also oil majors and large independent operators adjacent to Target, who have multi-billion dollar Permian Basin capex budgets, and are producing good results from drilling horizontal wells into tight and shale formations,” Dinsdale said.

“Target has no immediate plans to drill horizontal shale wells but we are pleased that our peers are because it is de-risking these formations for us.

“Looking further ahead, we have 110 potential well locations on 40 acre well spacing, so there is plenty of opportunity to continue to grow our production, reserves and cash flows.

“Darwin #3 has got our four-well drilling campaign off to a great start and there should be more operating results soon from that well and then after that the news flow should remain strong as we move on to the other three wells

“We’re also looking to commence a water flood on our conventional East Chalkley Oil Field in Louisiana before the end of the year to improve oil recovery. In short, Target offers investors a proven track record of production, excellent upside potential and a strong management team focused on delivering earnings growth.”



## DIRECTORS

Christopher Rowe  
Chairman

Laurence Roe  
Managing Director

Stephen Mann  
Non-Executive Director

## REGISTERED OFFICE

Suite 5,  
6 Richardson Street,  
WEST PERTH,  
WA, 6005  
AUSTRALIA

T: +61 08 9476 9000  
F: +61 08 9476 9099

## WEB

targetenergy.com.au

**ASX CODE : TEX**