

Explorer on Target to meet drilling deadlines

By Haydn Black

WITH ONLY ITS second well, the feisty Perth-based junior Target Energy has hit its mark, striking gas in Texas, USA, with its Thoroughbred-1 well.

Thoroughbred-1 is one of two wells being drilled in the US at the time of writing (the second was Snapper A1 targeting 450,000 barrels of oil and 4.2 billion cubic feet), where Target has discovered two potentially commercial gas zones.

The shallower of the two zones, between 1,288 -1,289 metres, produced 20 cubic feet of gas into a 2.64 gallon sample chamber on wireline testing from a test depth of 1,288.9m.

The deeper zone between 1,298-1,304m produced 30 cf of gas into a 2.64 gallon sample chamber from a test depth of 1,300.5m over a six minute period.

Managing director Laurence Roe said initial indications were that the gross hydrocarbon column was "...on the high side of expectations".

Thoroughbred (25%WI) is the smallest of Target's first eight wells, aiming to discover 1.3 billion cubic feet of gas.

"Hopefully this discovery will lead to early cashflow generation, which in turn will assist Target in funding the acquisition of new oil and gas exploration projects in the United States and elsewhere," Roe said.

Strategy

Target listed in late 2006 with the aim of capitalising on the multitude of onshore oil and gas opportunities on offer in the US, and while its first well, Kant-1, was plugged and abandoned after intersecting only thin gas sands, it spudded within a month of listing.

Within 12 months of listing Target expects to participate in as many as 10 wells and to be able to fund an energetic drilling program for the first 24 months of operation, notwithstanding potential cashflow offered by an early discovery.

If commercial, Roe said the discovery could be brought on stream after just 30 days, as the operator, Everest Resource Company, has its own gas gathering system and access to a pipeline within 1.6 km of the Thoroughbred-1 well.

Target was formed to give shareholders exposure to drilling.

"It's one thing to get into good projects, but you need to get them drilled because shareholders don't want to see you sitting on your hands," Roe said.

"We have put together a mix of high and low risk wells. While everyone likes high risk wells, you still need to put food on the table, so we have a range of prospect sizes and ones with lower risk to give us balance, so we're chasing prospects ranging in scale from Thoroughbred at 1.3 bcf up to Berwyn at 341 bcfe."

The company's upside numbers are a share of 4.2 mmbbl and 340 bcf (gross), at rates between 10% for higher risk wells and 25% for low risk wells.

The initial program of eight wells is typically testing single prospects, with only Bayou Berard and Berwyn offering obvious follow-up targets.

"Our strategy is to view the prospects we can get into, evaluate them, drill them and move on," Roe said.

"We want to populate the drilling calendar with new prospects and leads, so it's important to keep bringing in new projects."

Targets

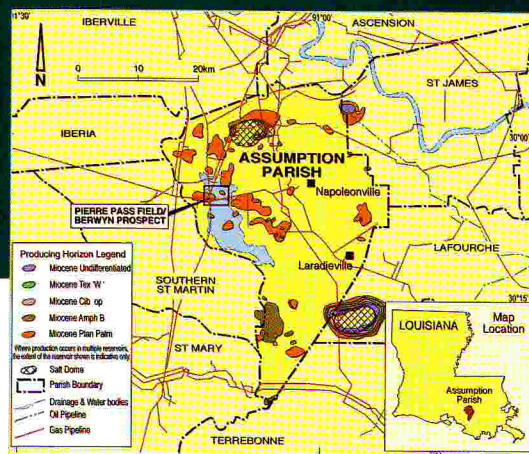
But he said, ultimately, the company would like to complement its prospect-by-prospect style of exploration with earlier stage exploration, probably by joining a regional 3D alliance.

"The drilling methodology I think is a good one, provided you can filter the prospects accordingly, and we are happy to do that for a while longer, but at the same time, we do want to go further up the food chain, have a hand in prospect generation and, if the prospects are good, we could get someone to carry us through the drilling."

Roe said it was unlikely that Target would be looking at any Australian oil and gas exploration prospects in the short term; however he qualified that by saying "Never say never".

The other major advantage in the US is infrastructure.

"The Americans have excellent domestic pipeline and production infrastructure. Most of our drill targets are within a few short miles of existing pipelines and that is something you just don't find in Australia."



The final Texas well with operator Everest (50.75%) will be Garwood-1, testing for 3bcf in the Frio sands.

"The reason we like these Texas wells is that they light up in the seismic, the anomalies map out reasonably well and they can be tied in to nearby production," Roe said.

"With Kant, it was a good anomaly, but it was a shallower section. We couldn't tie it directly to other production, so Garwood and Thoroughbred are more robust."

Drilling will next focus on Louisiana where Snapper-A1 will be followed by Snapper-A2, Bayou Berard-1 and Parks North-1 – all fairly conventional salt dome plays – chasing 2.469 million barrels and 21.2 bcf.

The potential "company-maker" for Target is the Berwyn Prospect in south-central Louisiana, a well being drilled with multi-billion dollar capitalised Pogo Producing Company (50%).

While the well won't spud until late in 2007, it is a 3D-defined prospect with potential for 305 bcfe.

The 4,877m well will test a prognosed trap below the existing Pierre Pass field.

"Wells in the area have very good thicknesses of the target sand, around 115m of the PP-13 sand. "We're tracking down the same fault that controls the Pierre Pass field to a lower level, and we're just a few kilometres from the Bayou St Vincent field, which has produced 55 bcfe from those PP-13 sands and 115 bcfe from the combined PP 13-20 sands."

Describing Pogo's high equity in the \$13 million well as "... an encouraging sign", Roe said the well had all the ingredients of being a discovery.

"We know we've got hydrocarbons in the system, we know we've got reservoir, we know stacked pays work here, it's the seal that's the risk, but there's an identical field at Bayou St Vincent that we can stroll to within a few minutes where we know the seal works.

"If we're successful, the well could flow at 10 mmcfpd – and it's something we could bring on within three months."