

Look before leaping into US investments

By IMELDA COTTON

AUSTRALIAN junior oil and gas explorers are increasingly drawn to US prospects, but potential investors are being urged to do their homework before committing funds to any one operator.

More than 40 local juniors are currently exploring or producing from onshore US, drawn by high commodity prices, good infrastructure, low sovereign risk and a private land ownership set-up.

For these companies, factors such as management team experience and local partnerships will ultimately separate the winners from the losers.

Potential investors should look for an active work schedule, according to Target Energy managing director Laurence Roe.

Target is currently in the midst of a fully funded eight-well drilling campaign throughout Texas and Louisiana. In April, the company reported the discovery of oil and gas at the third well – Snapper A-1 – being drilled in St Martin Parish, Louisiana.

“We have proposed a fairly active drilling schedule within the first year of our corporate life, which is one thing shareholders in general seem to like,” Roe said.

“Our wells range from low risk-moderate reward to high risk-high reward. We have ‘bread and butter’ prospects which will

deliver production and more romantic ones, which will deliver substantial reserves and possibly even a company-maker effect.

“The shareholder looking at Target can see a lot of activity and can be reasonably assured we’ll be able to bring a discovery onstream relatively quickly and start generating positive cashflow.”

Target also has partnerships with three US companies – Everest Resource, Cypress Productions and the multi-billion dollar Pogo Producing Company.

“As a junior, you need to be able to spread your risk and work with different operators in different areas,” Roe said.

“You need to be aligned with companies that have a good reputation and good track record, so you can leverage off their expertise rather than compete against it.

“Competent and experienced partner companies can also help with access to good acreage, which can be tricky to get hold of as an Australian junior because of the complexity of the US leasing system.”

Another Perth-based junior, Antares Energy, is also making strong inroads to Texas and Oklahoma in partnership with the likes of San Isidro Development, Hollimon Oil and Slawson Exploration.

But good partnerships mean little without



a strong regional presence and experienced management team. For Antares, that means a Texan-born chairman with many years in US oil and gas and a managing director who spent four years based in Houston.


“An Australian junior operating in the States needs to have a management team with a specific amount of experience in their region of exploration and a track record of success,” said Antares executive director James Cruickshank.

“They should have connections and contacts and the company’s shareholders should be able to gain direct benefit from their experience.

“A local office staffed with local expertise is also imperative, not just so the company can enjoy the benefits of conducting meetings, creating networks and doing deals in the same time zone but so they can bring projects into production faster.”

Roe added that potential shareholders should look for companies with people who know the sector well and have good track records.

“There’s quite a learning curve involved in working in the US and the risks and rewards vary significantly,” he said.

“A potential investor needs to ensure that what a company is offering fits the kind of risk profile that they are looking for.” 

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TARGET ENERGY LIMITED

- Active 8-well program in Louisiana & Texas
- Gas discovery at Thoroughbred
- Drilling commenced at Snapper A-1
- Proven and highly experienced management team
- Targeting early production & cashflow

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