

Indices and Prices	
All Ordinaries	5,708.10
Energy Index	9,145.10
Brent AU\$/bbl	66.7335
AUS\$/US\$	0.7510
Live Gold/AU\$	1,722.67
As at close 6 June 2017	

First published in StockAnalysis Issue 19, Volume 14 - 7 June 2017

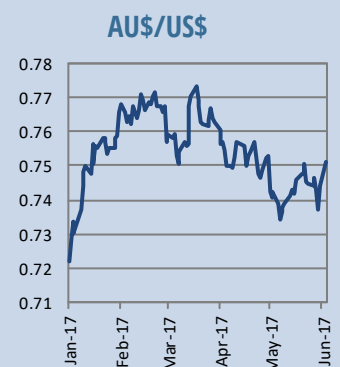
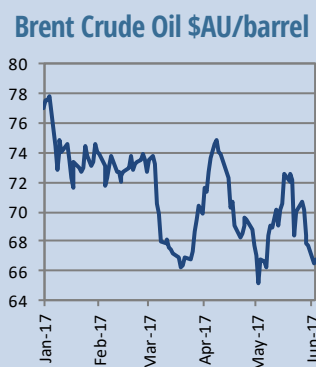
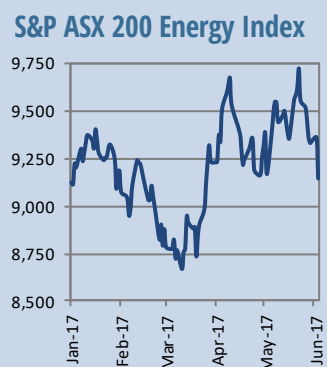
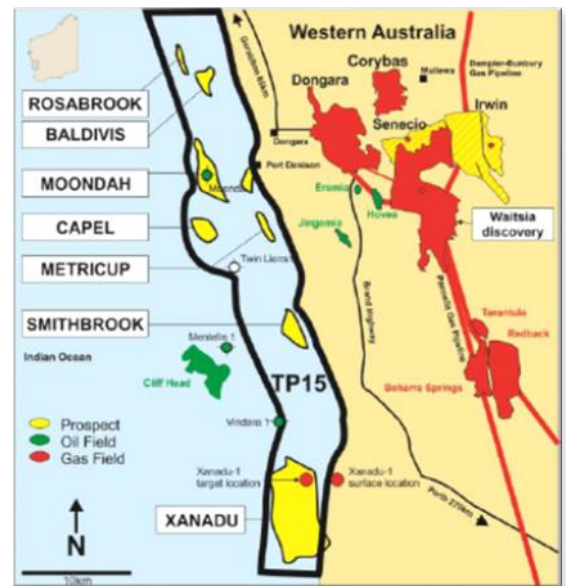
Xanadu set for drilling in September '17

Recommendation: Xanadu is an intriguing but high risk oil prospect, testing Permian aged sediments in a near-shore location in the Perth Basin. Triangle Energy holds the best leverage to success and has the least downside in the case of a duster, as it is supported by the value of other assets, including 78.75% ownership of the 1,300 BOPD Cliff Head oilfield.

Norwest Energy (NWE: ASX) has fully farmed out an estimated \$7.5 million cost of drilling the Xanadu oil prospect in TP-15. Xanadu is a conventional oil prospect located near the southern end of the TP-15 permit.

Drilling in Q4 '17, using the same rig that AWE is currently using for its Waitsia-3 & 4 wells, will involve a deviated well from onshore to about 2 kilometres offshore. Well sorted Permian sediments of Dongara sandstone represent the prime target at a shallow depth of 800 metres but drilling will continue to test secondary targets in the deeper, fluvio-deltaic Irwin River Coal Measures and regressive marine sands of the High Cliff Sandstone, which are both productive in other parts of the basin.

The company assumes a way too generous, 50% recovery factor for an estimated 320 million barrels of oil in place to calculate a target of 160 mmbbls of recoverable oil, but StockAnalysis prefers to apply a 20% recovery factor to deliver an estimated prize of 64 mmbbls in total.



Probabilities of success at Xanadu are quite low, ranging from 6% to 14%, largely because the prospect is only defined by some 2D seismic data plus gravity data. Acquiring 3D seismic data at shallow water locations overlying Xanadu is difficult and expensive, so drilling will progress on the best geological information available.

Norwest has controlled rig mobilisation costs by linking in with an appraisal programme currently underway at AWE's Waitsia gas project.

Target	Prospective Res		POS %	NPV \$m
	mmbbl	Bcf		
Xanadu Dongara	5	0	14%	\$ 71
Xanadu IRCM	35	0	13%	\$ 523
Xanadu Highcliff	24	0	6%	\$ 357
In-ground Value Assumptions				
Oil \$A/bbl	\$ 15 /bbl			
gas \$/GJ	\$ 0.75 /GJ			
Discovery Value per share	NWE	TSV	TEG	
Post farmdown equity	25%	15%	30%	
Xanadu Dongara	\$ 0.005	\$ 0.013	\$ 0.135	
Xanadu IRCM	\$ 0.040	\$ 0.093	\$ 0.988	
Xanadu Highcliff	\$ 0.027	\$ 0.063	\$ 0.674	
Total Risk Adjusted Value	\$ 0.007	\$ 0.016	\$ 0.173	
Current Price	\$ 0.004	\$ 0.008	\$ 0.045	
Discovery Leverage per share	1827%	2104%	3994%	

Source: Strachan Corporate

Norwest has attracted funding from the 3C Group, an East coast family office that is seeking to gain exposure to the energy industry. 3C will match Triangle (TEG: ASX), paying 40% of drilling costs to earn a 30% interest while Transerv has committed to pay 20% to earn 15%.

Transerv also took a placement 100 million NWE shares to gain a 3.7% holding, which translates to an additional 0.9% exposure to Xanadu. The 3C Group has also entered into a share placement agreement with NWE, subscribing for 208 million shares at 0.24 cents plus 60 million, one year options with the same exercise price.

StockAnalysis calculates that the unlikely event of discovery of 68 million barrels of oil at Xanadu, would be worth over \$1.70 per share to Triangle Energy, about 17 cps to Transerv and 7.3 cents per share to Norwest. Discovery of just 5 million barrels would support Norwest's current market capitalisation while adding about 50% upside for Transerv and offering a 3 fold increase for Triangle's market capitalisation.

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