

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

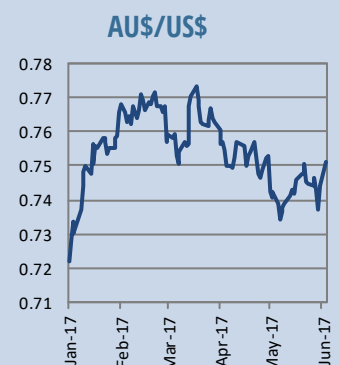
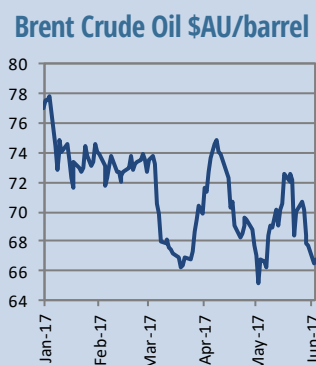
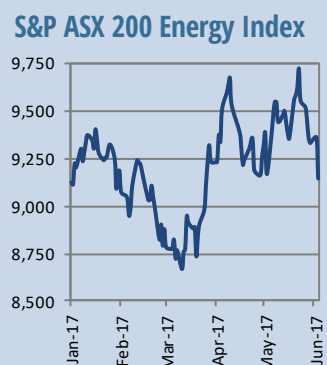
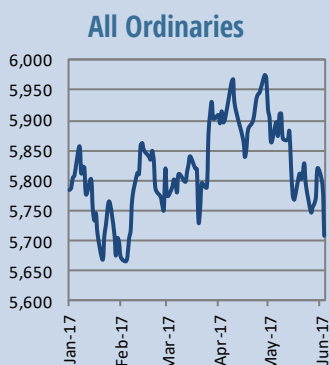
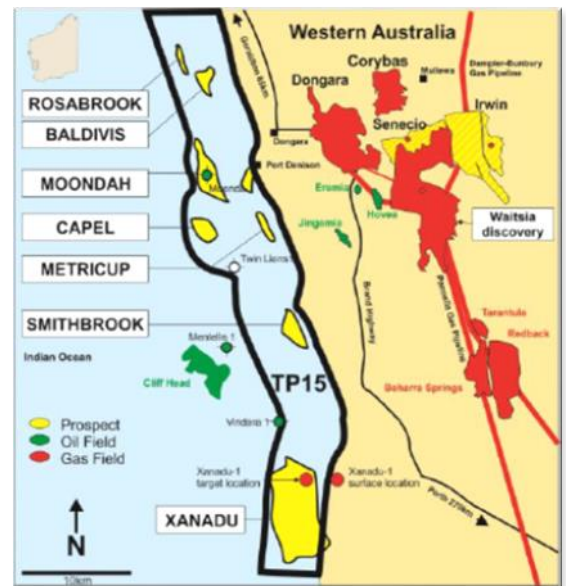
## Xanadu set for drilling in September '17

**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
<b>In-ground Value Assumptions</b>				
Oil \$A/bbl	\$ 15 /bbl			
gas \$/GJ	\$ 0.75 /GJ			
<b>Discovery Value per share</b>	<b>NWE</b>	<b>TSV</b>	<b>TEG</b>	
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	
<b>Total Risk Adjusted Value</b>	<b>\$ 0.007</b>	<b>\$ 0.016</b>	<b>\$ 0.173</b>	
Current Price	\$ 0.004	\$ 0.008	\$ 0.045	
<b>Discovery Leverage per share</b>	<b>1827%</b>	<b>2104%</b>	<b>3994%</b>	

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.**

## CONTACT

**Peter Strachan:** [Peter@stockanalysis.com.au](mailto:Peter@stockanalysis.com.au)

[www.stockanalysis.com.au](http://www.stockanalysis.com.au)

**Pex Publications:** [oilinfo@pex.com.au](mailto:oilinfo@pex.com.au)

[www.pex.com.au](http://www.pex.com.au)

PO Box 813, Mt Lawley, WA 6929

Tel: 08 9272 6555 Fax: 08 9272 5556

**Small research operations/investment publications like StockAnalysis depend on the cooperation of their subscribers to stay in business. If you pay for and value the information we provide please don't copy StockAnalysis to others.**

### Disclaimer

The information or advice (including any financial product advice) herein is believed to be reliable and accurate when issued however, Strachan Corporate Pty Ltd ABN 39 079812945; AFSL 259730 ("Strachan"), does not warrant its completeness, reliability or accuracy. Strachan, its Directors and their Associates from time to time may hold shares in the securities mentioned in this report and therefore may benefit from any increase in the price of those securities. Opinions and estimates constitute Strachan's judgment. The author certifies that the views expressed in this document accurately reflect the analyst's personal views about the subject company and are subject to change without notice. Strachan, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The investments and strategies discussed herein may not be suitable for all investors. In preparing such general advice no account was taken of the investment objectives, financial situation and particular needs of a particular person. Therefore, before acting on the advice, you should consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. There may be a product disclosure statement or other offer document for the securities and financial products we write about in StockAnalysis. You should obtain a copy of the product disclosure statement or offer document before making any decision about whether to acquire the security or product. If you have any doubts you should contact your investment advisor. The investments discussed may fluctuate in price and changes in commodity prices and exchange rates may have adverse effects on the value of investments.

Recent Strachan Corporate commissioned research or corporate advisory services have been supplied to the following companies, for which it has received a fee. Xstate, Sacgasco, Rox Resources, Rawson Resources, Incremental Oil & Gas, Peel Mining, Mining Projects Gp, Horizon Oil, Kingston Resources, Aurora Minerals, Real Energy Jacka, Carnarvon Petroleum, Lion Energy, FAR Ltd, Galaxy Resources. In addition, over that period Strachan Corporate has delivered lectures at several Universities, provided expert witness statements and confidential financial services and advice to listed companies, several private investment companies and institutions as well as private investors. Disclosure of interests in these confidential actions by Strachan Corporate is only appropriate should Strachan Corporate determine a potential for conflict of interest.

The author has small holdings in shares of SUN, SGC, modest holdings in IGO, AZZG, TDO, SRI, ADX, ANZ, NAB, PTM, FAR WSA & WPL and larger holdings in RFX, AWE, FZR, RIC, HAV, IDR.



# StockAnalysis

SUBSCRIBE NOW FOR ONLY \$450 AUD

## YOUR WEEKLY MARKET ANALYSIS

StockAnalysis is a weekly evaluation of the companies most likely to provide a healthy return on your investment. Presented by respected analyst Peter Strachan, BSc, SF Finsia. StockAnalysis aims to help you outperform the market by identifying undervalued, growth companies with a focus on the energy sector.

- Assessment of the big issues facing the stock market
- Stock recommendations with specific analysis
- Company analysis and performance results
  - Comment on economic environment
  - Takeovers, mergers and new floats
  - Stocks to watch

## SUBSCRIBE NOW

Subscribe online at [www.stockanalysis.com.au](http://www.stockanalysis.com.au) or fill out the form below and either fax it to us at **+61 8 9272 5556**, scan and email to **info@stockanalysis.com.au**

**Yes, I would like to subscribe to StockAnalysis**

Your StockAnalysis will be available via the website with a secure login.

I would like to subscribe for:    12 months (\$450):     6 months (\$250):     3 months (\$150):

Name: .....

Address: .....

Phone no: .....

email: .....

Where did you hear about StockAnalysis?: .....

Promo code (if applicable): .....

PAYMENT OPTIONS = EFT / Mastercard / Visa / Amex / Deposit to our account

Please note that we do not accept cheque payments by mail. No additional fees are charged for credit card payments.

Invoice me:

Credit card:

MasterCard:

Visa:

Amex:

Card name: .....

Card number: .....

Exp date: \_\_\_/\_\_\_

EFT deposit:

Bank: National Australia Bank, Melbourne Victoria 3000 .....

Account: BSB: 083 004 Account # 56 951 8410 Account name Pex Publications Pty Ltd .....

Please fax to **+61 8 9272 5556**, scan and email to **info@stockanalysis.com.au**,  
call **1300 661 553**, or go to: **www.stockanalysis.com.au**