

In the right place at the right time

Patience and a focus on positioning the company in proven areas close to developed infrastructure could be just the right ingredients for a successful 2008 for Melbourne-based explorer Bass Strait Oil Company. By **Ron Berryman**



Bass Strait Oil Company Limited
managing director Andrew Adams.

Hey factors for success in oil and gas exploration suggest it is important to establish a strong portfolio of permits and have the technological intelligence to effectively explore these permit areas.

According to Bass Strait Oil Company Limited managing director Andrew Adams the company has taken up a strong position in the Gippsland, Bass and Otway Basins to capitalise on an exploration resurgence in the region.

It now holds almost 14,000 square kilometres across five offshore and two onshore permits and the return of drilling rigs in the new year to the Gippsland Basin gives the company every reason to be optimistic about the future.

"Our strategy has been to get a strong position in these highly prospective areas – close to developed infrastructure – and to accumulate data. The area has been the private stamping ground of Esso-BHP for many years, but we believe there are

prospects out there that could be very profitable, while they might not necessarily have captured the attention of an Exxon or BHP," Adams told *RESOURCESTOCKS*.

"Ten to 15 years ago much of the regional infrastructure that exists now, wasn't there. That makes a significant difference and we are seeing a maturing gas market in south-east Australia."

Adams said the development of pipelines between Melbourne and Sydney, the pipeline through to Adelaide from Otway and Tasmania to Victoria, were important infrastructure elements.

"Data is the other factor," he explained.

"We have accumulated a significant 3D seismic database in the Gippsland Basin covering about 7000 square kilometres.

"None of that data existed before 2001 and we now have the ability to explore for targets that weren't resolvable in the past. With increasing liquids prices and better gas market access improving the potential for

commercialisation, various prospects and leads are now receiving more intense scrutiny."

Since 1998 when the company was awarded its first Gippsland Basin permit, Bass Strait Oil has maintained a consistent, hands-on technical focus on the southeast Australia region.

The 3D seismic data has underpinned the company's offshore exploration program and was complemented in April 2007 by Apache Energy's Marie 3D seismic survey in Vic-P42, one of three Gippsland Basin permit areas.

"The Marie survey was fully funded by Apache Energy under the first phase of a Vic-P42 farm-in arrangement," he said.

"The second phase of the farm-in requires Apache to fully fund the drilling and testing of an exploration well to complete its obligations and earn a 60 percent interest and operatorship of the permit. Drilling is scheduled for a second quarter 2008 timeframe."

Adams firmly believes the long wait for a drill rig has been a significant factor in the company's share price.

"With the short-term focus of the share market these days, the drilling hiatus has been a difficult time for us," he explained.

"We believe the drilling next year will have a high interest impact for us.

"Starting with the jack-up rig, we've got ourselves one of the early slots free carried and booked in. Obviously we're looking forward to that most enthusiastically."

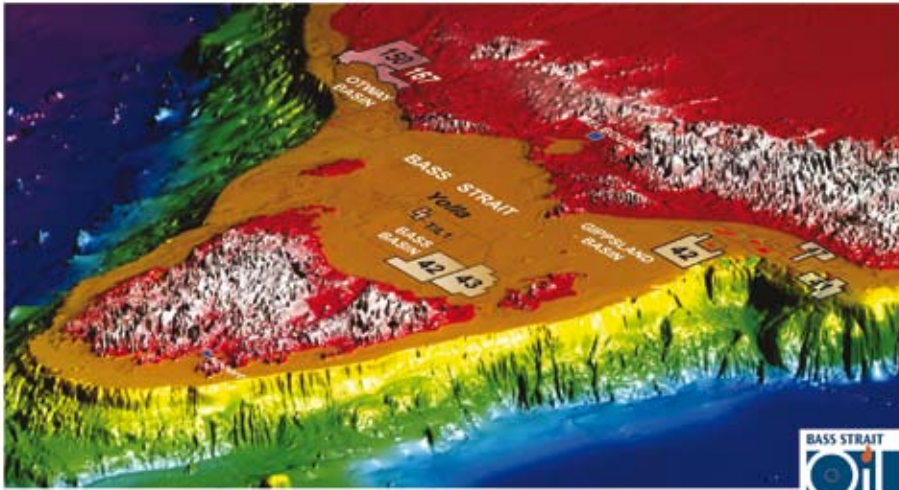
Bass Strait Oil Company is certainly well-placed for success.

It has three permits in the Gippsland Basin – Vic-P47, Vic-P41 and Vic-P42 – with the current focus on Vic-P42.

This permit not only has Australia's biggest oilfield, Kingfish, on the northeastern boundary, but it also has the Bream oil and gas field to the north and



The Ocean Patriot.



The Bass Strait interests between Victoria and Tasmania.

two gas and condensate discoveries within its boundaries.

"Esso-BHP's Kingfish is far and away Australia's largest oilfield with 1.3 billion barrels of oil produced while Bream is also a producing oil and gas field," Adams said.

"There are two gas and condensate discoveries within P42, one of which we drilled in 2005 called Zane Grey, which is probably too small to be commercial, but the signs are good."

Apache Energy must certainly think so, as the company has taken a strong position in the Gippsland. Apart from the farm-in arrangement with Bass, Apache holds the permit block to the west of P42, they've farmed into the block to the east and taken 100% of the block further to the east again.

"They either hold outright or they're farming into a number of blocks in the Gippsland Basin and have a drilling program – depending upon who you talk to – of eight, 10 or 12 wells," Adams said.

"We're obviously interested in our other two Gippsland blocks as well and have 3D seismic defined targets ready to drill and we're interested in attracting a partner in there.

"While we haven't signed anything yet, we're optimistic about finding a farm-in partner there similar to the Vic-P42 deal."

Adams said one of the interesting facts about the region is there will be three offshore rigs in the area by the end of next year.

"That's a first since I've been associated with the region and if you take those three rigs together there's going to be something like 20 plus wells drilled in the 2008-09 period," he pointed out.

"I believe we have a very strong position in the Gippsland, Bass and Otway Basins and that level of unprecedented activity is going to drive a re-rating of that whole area.

"I find it very hard to imagine that there could be 20-odd wells drilled in these basins without some additional runs put on the board and we're very well placed

to benefit, either directly through our own discovery, or indirectly."

Adams said industry focus seemed to have been in the North West Shelf or elsewhere in recent times and he believed the southeastern basins were set to become the focus of renewed attention in the future and the Bass Strait Oil Company would be able to ride that wave.

"I'm really looking forward to next year. We've booked ourselves a ticket on one of the early slots of that whole activity cycle," he said.

"Similarly with the Bass Basin, where we hold two large blocks on the eastern side, there has really been very little exploration done since the early 1990s.

"It's been something like 15 years lying fallow. We picked those blocks up early last year and we're currently pulling together all the existing information and mapping them, with the potential of recording new 2D seismic during 2008.

"The Bass Basin is now entirely permitted with no vacant acreage left and I think it's come very quickly onto everyone's radar, with a revised recognition of the prospectivity of these areas. For example, Beach Petroleum has recently farmed-in to drill exploration wells in each of the two neighbouring blocks to the west."

Bass Strait Oil Company picked up two permit blocks onshore in the Otway Basin several months ago – PEP167, which is 100% owned, and a 15% farm-in interest in PEP150 – and with the increase in the price of oil, is looking to turn two old oilfields into cashflow.

PEP167 is near Portland in Western Victoria and comprises some 833sq. km of ground and the discovery wells at Windemere-1, which produced oil on test in 1987, and the 2002 Port Fairy-1 oil and gas discovery well.

The adjacent PEP150 permit also contains an oil discovery at the Lindon-1 and 2 wells and Bass Strait Oil plans to

re-evaluate the economic potential of the discoveries in the light of improved pricing and market conditions.

"We're optimistic about the Otway Basin and we're currently doing a review and believe we may be able to do something given that the price of oil is up near \$100 a barrel," Adams said.

"It's only a three-hour drive to the Geelong refinery. Several companies are now re-assessing small fields in areas like the Cooper Basin which are a long way from infrastructure or markets making the process expensive.

"We have a 15 percent farm-in right with Beach Petroleum on PEP150, which is yet to be ratified through native title, but we're quite keen to get that up and running as well."

Bass Strait Oil Company believes there is lots of potential in Otway for both oil and gas and is interested in getting something moving fairly quickly to give the company some added cash flow.

Whether they strike it there or in one of their other quality permit blocks offshore, one thing is certain, they are looking forward to 2008 with a great deal of optimism. **RS**

bass strait oil company limited at a glance



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Market Capitalisation

\$14.863 million (at press time)

Major Shareholders

Great Australian Corporation Pty Ltd 12.96%
Cue Petroleum Pty Ltd 5.24%
Australian Natural Gas Pty Ltd 1.85%