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Press

▶ **Buccaneer and Empire continue their drills as carbon tax debate rages on**
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PURE SPECULATION

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Buccaneer and Empire continue their drills as carbon tax debate rages on

Investors are cautious but some stocks are showing promise

GREAT news that the Aussie motorist won't be hit by the carbon tax on the petrol he or she burns.

Let's work through this slowly. We're doing our bit to clean up the world's atmosphere, right? We're going to hit the coal industry with a carbon tax because their product fouls the atmosphere. Yes, got that. But the motorist is going to be compensated under the same carbon tax when their car exhausts pump out various pollutants, including benzene, and particulates into the air we breathe. Sorry, you've lost us.

But it did turn our mind to oil, the price of which has dipped in recent weeks. Forget that: the end-game is as certain as anything on this planet.

As the years go by, there will be less and less to go around as more Chinese and Indians realise their dreams of owning a set of wheels.

Consumption is rising, big discoveries are thin on the ground. Even the Saudis are trying to cut their oil consumption by switching from oil-burning power generation to nuclear.

sis has in recent weeks been running the ruler over oil and gas exploration companies with a chance of actually increasing your wealth (yes, we know — not something that happens too often). Clearly investors have grown weary (and wary) of the sector.

Strachan says **Buccaneer Energy (BCC)** appears to have a nice little gas find in Alaska "but the market has ignored it or is too petrified by the debt it is taking on".

He considers that **Empire Oil & Gas (EGO)** has a good gas and condensate discovery in the Perth Basin, but the massive number of shares on issue overwhelms any attempt to lift shareholder value.

Stock Analysis has a "speculative buy" on **Buru Energy (BRU)**, which has identified the potential for 700 million barrels of oil and 1.2 trillion cubic feet of gas in the Canning Basin. However, despite its robust cash position and financing support from Mitsubishi and Alcoa, Buru will remain a considerable cash consumer for several years. Overall, though, the potential reward is large.

Horizon Oil (HZN) is, says Strachan, a clear "buy" with its oil at the Maari field in New Zealand, the Beibu Gulf project in China and its Papua New Guinea concessions.

Dave Wall at Hartleys describes it as probably the most sig-

nificant well involving an ASX-listed junior oil and gas company this year. He is referring to the Kora project offshore of Senegal and Guinea-Bissau. Kora is a 448 million barrel prospect in which **FAR (FAR)** has an 8.8 per cent interest. Wall says that, if this prospect were to be a success, then FAR's potential income is around \$1 billion.

He also has a buy on **Hawley Oil & Gas (HOG)** based on its strong cashflow and high margins from the successful Sorochynska licence in Ukraine. Production there has averaged 6.6 million cubic feet of gas a day along with 230 barrels of condensate. The company is now drilling a target with the potential for up to 5 million barrels of oil. Wall believes this is relatively low risk and could provide an additional boost as early as next month.

Shares in **Jacka Resources (JKA)** jumped 22.5 per cent on Friday to 8.7c on news the company had gained, after several months of hard work, exclusive negotiating rights over oil and gas production rights for 8400sq km in southern Tanzania.

This country is unexplored for oil and gas, with only 35 wells drilled so far (onshore and offshore).

But three recent offshore gas discoveries seem to have whetted a lot of appetites, and now all the



back



usual suspects (Shell, Exxon Mobil et al) are taking an interest.

So far, no oil has been discovered, but the geology in the East African rift basin runs through Uganda (a billion barrels of oil, so far) into Tanzania.