

**This Week
In This Issue...**

Mining Resource Rent Tax (MRRT) Comments

The Federal government's push for a fairer tax plan is in effect a push for an unfair tax plan ...

Page 1

Economic Environment

I am interested to hear from subscribers about how they see the local economy.

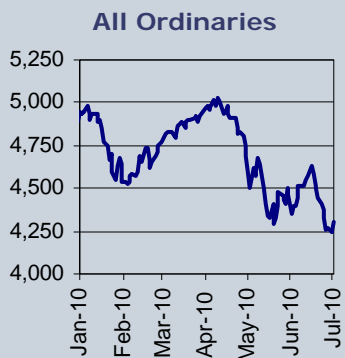
Page 2

ASX Listed Oil & Gas Companies

Every three or four months, I update my oil & gas company database ...

Page 3

Indices & Prices	
All Ordinaries	4,299.70
Energy Index	14,113.30
Brent AU\$/bbl	83.56
AUS\$/US\$	0.8491
As at Close July 6th	



In this Issue

MRRT: Contradictions

Economic Environment: Subdued

ASX Listed Oil & Gas Companies: A quarterly summary

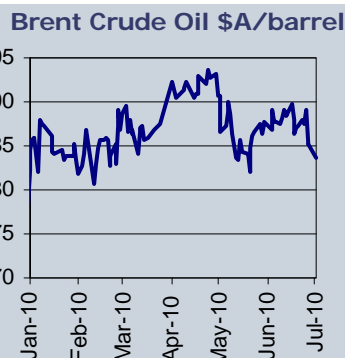
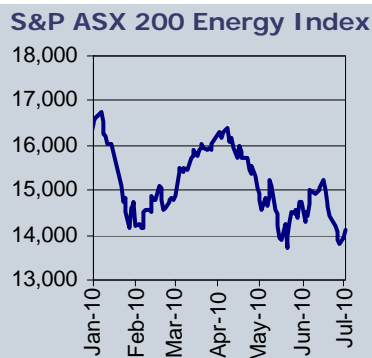
Mining Resource Rent Tax (MRRT) Comments

The concept of 'fair' is binomial. Even though, when it came to dividing the marital estate, my ex-wife informed me that she wanted a share which was 'more than fair', subscribers will understand that a deal is either fair or it is unfair. There is no such thing as 'fairer', 'less than fair' or 'more than fair'. So the Federal Government's push for a fairer tax plan is, in effect, a push for an unfair tax plan. It goes without saying that the plan is also not simpler, nor is it going to be a stronger outcome for Australia over time, as corporate profits will drift away to be reinvested overseas, where there really is a fair tax-take by governments.

Notes from meeting with Martin Ferguson:

- ⇒ It is great news that former BHP Chairman Don Argus will help Minister Ferguson with details surrounding the final implementation of the Mining Resource Rent Tax (MRRT). However, StockAnalysis is surprised that the Federal Government was able to find such an able mining person, given that the Treasurer had characterised senior mining executives who had the audacity to question his hopelessly flawed RSPT as being either liars or ignorant.
- ⇒ Major diversified miners (Rio & BHP) have negotiated a deal which benefits their portfolio of base metal, uranium, gold and other minerals operations, while the new tax slugs their local bulk commodity operations. That's OK for them as they see net gains and net losses locally from different projects which cancel each other out to some extent. In addition, these companies run global operations, treating coal and iron ore operations in various jurisdictions much like a portfolio of assets, with different risks and returns. If Australian operations are hampered by excessive government charges, the miners can manage that risk over time through additional investment in West Africa or South America. StockAnalysis believes that the multinationals will be more inclined to reinvest cash from Australia into other jurisdictions over time, where higher returns for shareholders are achievable, thus weakening local investment in iron ore and coal.
- ⇒ The model of an example company, distributed by Minister Ferguson, showing how the MRRT will work in practice shows:
 - * Without the MRRT, mining companies pay just over 39% of pre-tax profits to governments (using a 7% royalty).
 - * With the MRRT in full flight, the mining companies will pay just over 50% of pre-tax income to governments.

(Continued on page 2)



The questions arising are:

- ⇒ How does this modelling from the government relate to claims it made in parliament that the mining industry pays 19% of its profits as tax and royalties?
- ⇒ What individual in his right mind is going to invest their savings into equity (shares) in an exploration company that wants to embark onto the risky road of exploring for and hopefully developing coal and iron ore projects in Australia, knowing that the company will have to give more than half of its profits to the government? Won't investors buy bank shares, now offering +6% fully franked dividends or leave their savings in fixed interest at 6% pa, knowing that they will keep all of that interest and pay tax in the normal way?

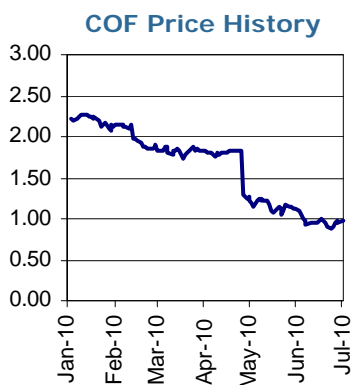


The Minister was then critical of wage conditions negotiated by Chevron and its contractors. These conditions see a tradesman paid \$150,000 pa for working long hours on the Gorgon Project, which upsets Ferguson since this sort of wage competition makes it very hard for operators in his other portfolio of tourism, where a chef might expect to earn \$82,000 pa. Ferguson suggests that the move in superannuation payments from 9% to 12% should come out of this total package and not out of Chevron's pocket. One thing is for sure, when Labor loses the next election, Chevron will be looking to hire Ferguson as part of its human resources team so that he can negotiate the new awards on their behalf!

Economic Background

I am interested to hear from subscribers about how they see the local economy, close to them. From my perspective, I see things looking pretty weak. In Perth, which let's face it, is the centre of the free world, restaurants and pubs are just ticking over. Places that were fully booked from Wednesday to Saturday each week are now almost empty on a Thursday night! The pub trade is very flat. People may still be going out, but they are 'doing' breakfast or trading down in their choice of venue from \$100 per head to \$60 per head, or from \$70 per head to \$35 per head.

Wandering around downtown shops also gives me the feeling that Australian consumer spending has fallen in a heap. The other thing I notice is a rise of special deals. Low price breakfasts, pasta Tuesdays, loss leader dishes on other days. Also the wine industry has gone crazy, with wines that were previously \$29 per bottle being bundled up and sold for \$11 each. This tells me that stock is being reduced at any price and the hospitality industry, normally a good bellwether, is suffering.



When an election is in the wings, Government departments usually close shop from a spending point of view and many companies will hold back on spending, while elections are typically a negative for consumer spending as well. Add to this, uncertainty in the economy created by the RSPT/MRRT debate and the inevitable slowdown in retail sales, which normally accompany an election, and we are looking at very slow economic growth from June through until September at least. For instance, **Coffey International** (COF) says that clients (mining and construction companies) are all sitting on their hands as the RSPT/MRRT debate runs its course.

Globally, a decline in house building will impact demand for copper and aluminium. About 20% of all aluminium is used in building and the average house contains about 180 kg of copper. The US house construction market is dead and those previous pockets of European expansion in Spain and Ireland are dead and buried.

StockAnalysis previously pointed to a tsunami of US home mortgage resets which will begin to hit the market during Q3 2010. These resets will push mortgage repayments up to the point where many more US home buyers will default. So there is a strong likelihood that we will see a second coming for the US mortgage crisis, flowing on to rising unemployment and falling retail sales, which will impact global confidence and weaken markets as the year unfolds.

ASX Listed Oil & Gas Companies

Every three or four months, I update my oil & gas company database. The overriding feature of this quarter's update is the appearance of some very attractive value amongst funded oil & gas producers with excellent development and exploration upside. While the oil price is currently back at around US\$72 per barrel, which is still a good level in AUD terms of about A\$85/bbl. In order for current equity prices to be a valid measure of value, the market must be expecting that the oil price will fall below US\$60/bbl and stay there. StockAnalysis does not think that the oil price will remain below US\$65/bbl for very long, if it falls that far.

The list has begun to change, with some merger and acquisition activity, most notably Shell's purchase of Arrow, AGL's bid for Mosaic and AWE's bid for Adelphi along with the arrival of Hawkley. There are a few new companies in the wings looking to list on new assets and a few smaller companies, such as K2 Energy and Strategic, which are moving away from oil & gas to easier pastures.

From the total ASX list, I have pulled out those stocks which show value in different categories. These are listed below:

Rolled Gold Buys

AWE	Currently massively mispriced ahead of results, which are likely to show a loss after exploration write-down and a reduction in cash holding as a result of exploration spending and buying of Adelphi. Market may also be seeing a few exploration dusters and a need for debt to fund mid-life redevelopment of BassGas. StockAnalysis still values AWE at about \$3.85 per share and likes its move on ADI.
Cue	Cue has multiple income streams from Indonesia, PNG and Maari in Taranaki, supporting exploration around those projects and in Carnarvon Basin.
Horizon	Like Cue, Horizon has cash flow support from Maari oilfield, but development in Beibu Gulf & PNG, on top of its near-field projects in Taranaki Basin.
Origin	First class utility with upstream growth business.
Woodside	Growth through LNG portfolio and Australian oil exploration and development.

Speculative Buys

Antares	Largely funded Texas oilfield development. Workman like upside as technical and funding risks subside. Will need additional funding, but now has platform for growth. Trading down from recent highs.
Cooper Energy	Funded exploration programme in Cooper Basin, Tunisia, Mediterranean and Indonesia. Trades below value for cash and petroleum assets. Has weakened following gas discovery at recent Fuchsia well.
Tap Oil	Funded exploration in Australia, the Philippines and West Africa.

Second Line Speculative Buys

ADX Energy	Active explorer in Mediterranean, Tunisia and Romania with massive upside but weak funding position.
Amadeus	Moribund company that finally looks like being sold. Speculative buy betting on a bid, with little downside risk as there is clearly over 60 cps of value in assets, managed by more cost effective team. (sorry Geoff)
Carnarvon	Well funded project development in Thailand, with exploration in Taranaki and Carnarvon Basin. Has weakened to buy territory.
Magellan	Company has new lease of life after buying Santos out of Evans Shoal but funding is still uncertain.
Oil Search	Huge growth from LNG development and exploration, but PNG country risk remains a negative.
Texon	Large upside from development of its oil projects along the Eagle Ford Shale. Funded for proof of concept well, but will need to attract additional capital in 2011. Value of over \$1 per share with EFS well going down in Q3.

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Adelaide Energy	ADE	\$ 0.090	10	10.4	20.4	Ot, Co, Er, Colorado	Small cash flow from 100% owned Otway Basin gas/cond field at Katnook. Deep CSG potential in Sth Aust Cooper. No compelling investment thesis. Hold
Adelphi Energy	ADI	\$ 0.420	8	64	72	Texas, Ca	Should end up 100% owned by AWE. Has 10% of Sugarloaf shale oil project in Texas. Requires AWE's balance sheet to develop
ADX Energy	ADX	\$ 0.230	5	73	78	Co, Romania	Drilling 270 mmbbl Tunisian/Italian target in July, onshore prospect H2 '10, huge upside, JV funding secure. New partners in Romanian acreage. Solid technical management. Highly spec buy with great follow-on but no cash backing as yet.
AED Oil	AED	\$ 0.46	15	77	92	Ca Brunei	Early hydrocarbon indications on Brunei prospect, testing July '10, drilling with COE for Madura gas. Indonesian exploration, Facing large capex for Puffin redevelopment. Will need new equity injection soon. Hold for drilling outcome.
Austin Exploration	AKK	\$ 0.032	5	4	9	Co, St, US Gulf	Small time US oil production & exploration with Cooper basin interest. Can not see any reason to own this one.
Amadeus Energy	AMU	\$ 0.22	(46)	111	65	Texas	US based, high cost oil & gas producer, has raised white flag, having failed to create shareholder value. Hold/Spec buy for final resolution of sale process
Australian Oil Co	AOC	\$ 0.090	0.2	4.5	4.7	Su, Co, California	Virtual shell, looking for a project. On endangered species list, Director bails: Avoid
Arrow Energy	AOE	\$ 4.86	(302)	3,870	3,568	Su, Bw, Asia	Great timing for its sale to Shell/PetroChina, given tax changes and weaker LNG market. Management takes Dart spin-off as escape pod
AusTex Oil	AOK	\$ 0.13	5	21.4	26	USA	Pierpont puts into practice lifestyle lurks learned over the years, unattractive Kansas & Oklahoma operations: Boys club with little appeal: Sell
Aurora Oil & Gas	AUT	\$ 0.80	40	208	248	USA	Funded for development of Sugarloaf/Kane, Eagle Ford oil/gas resource play in Texas. Partner, Adelphi taken over, possible corporate target in US. Hold
Advance Energy	AVD	\$ 0.01	(13)	15	3	Texas	This player squirts shares into the market as it struggles to survive, Director bails out. Operating cash flow servicing debt to Odin! No killer asset to lift value. Throttling back development work - Sell
AWE Ltd	AWE	\$ 1.65	110	748	858	Ta, Ot, P, Ba	Extreme value following two dusters in Taranaki. Ongoing drilling in Taranaki, Indonesia, Perth Basin, Yemen & developing oil at newly purchased Sugarloaf & upgrade of BassGas: Buy
Apollo Gas	AZO	\$ 0.51	12	90	102	NSW	Arrow look-a-like in NSW CSG & geothermal. After speculative run, price has come back to earth with dose of reality on value.
Antares Energy	AZZ	\$ 0.58	12	162	174	Texas Gulf Coast	Funding requirements for Eagle Ford shale development puts pressure on share price. Require ongoing new equity, operating cash flow will kick in during 2011 to support development: Buy for value over \$1.40 per share
Bass Strait Oil Co	BAS	\$ 0.029	3.2	5.2	8.4	Gp, Ot	Strong technical team & great portfolio of Gippsland Basin projects, but no money equals candidate for consolidation. Seeking farmin support: Very speculative punt.
Buccaneer Energy	BCC	\$ 0.046	4	17	21	GOM	Sinking slowing into GoM after failed bid to sell Pompano. Eagle Ford Wanabe. Alaska now its big hope. Light on reporting details. Sell now
Black Fire	BFE	\$ 0.090	4	5.9	9.9	Cv	Parrot Hill in Carnarvon. Moved to African lithium & gold. Vulture company. Hold
Baraka Pet	BKP	\$ 0.003	2	4	5	Ge	Georgina Basin as a starter, but looking for other opportunities
Boss Energy	BOE	\$ 0.042	0	3.9	4.3	Tas/Q'land	Oil shale in Tasmania & Queensland. No cash, lifestyle company: Sell

(Continued on page 5)

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Bow Energy	BOW	\$ 1.15	75	248	323	Co, Er, Su	Well funded CSG focus at Don Juan & Canaway, plus oil cash flow. Represents possible candidate for consolidation or feed to Fisherman's Landing LNG, with 2360 Pj 3P & targeting 6 Tcf, Caution at this price level
Beach Energy	BPT	\$ 0.67	140	586	726	Co, Su, Gp, Ba	Cashed up, looking for deals, knocked by BMG downgrade, tax & floods, long term plays in shale and Africa. Searching for the next winner. Hold.
Buru Energy	BRU	\$ 0.380	40	29	69	Canning	Canning explorer. High impact drilling 2010 & '11. JV with Mitsubishi provides funding. Pilbara pipeline, Browse hub, sleeper assets: Now at target value: Hold for drilling
Blue Energy	BUL	\$ 0.140	30	61	91	Co, Er	Cashed up for Galilee & Bowen CSG, skilled management. Support of Stanwell Corp & KOGAS for power off-take. ANZ holding overhangs market, looking for growth opportunities away from CSG. Weak local gas market means avoid
Burleson Energy	BUR	\$ 0.060	3.0	9.4	12.4	Gulf Coast	Diversifying project base in Texas. Some Wilcox gas success. Farmout stops bleeding: Better value elsewhere.
Bounty Oil & Gas	BUY	\$ 0.091	4.0	58.7	63	Sy, Er, Tanzania	5% of Tanzanian gas plus 15% of offshore NSW 5 Tcf Fish/Baleen prospect scheduled for drilling Q3 '10. Poor management track record, Talbot Gp now uncertain following death of Talbot. Fair value, Avoid
Caspian Oil	CIG	\$ 0.008	3	7.7	11	Kyrgyz Rep, Romania	Holds ~\$4m inc PRU shares. Shallow oil in Kyrgyz wells. Country risk & departure of STO holding this one back. Move to ADX's Romanian JV
Cooper Energy	COE	\$ 0.38	90	21	111	Co, Tunisia, Indonesia	Duster offshore Tunisia knocks shares. Upcoming Cooper programme plus Indonesian & onshore Tunisian exploration H2 '10. BUY for +50 cent per share asset value.
Comet Ridge	COI	\$ 0.155	12	35.6	48	Ga, USA, NZ	Chewing through cash looking at shale & CSG in Galilee. Holds 23% of Comet Ridge Res in USA, Shine comes off CSG latecomers: Sell
Carpathian	CPN	\$ 0.025	2	4.6	7	Czech	Something very wrong here. New Board trying to sort it out: Sell
Central Petroleum	CTP	\$ 0.068	50	12	62	Am, Pe	A share printing machine & shameless ASX arm waver. Question over business model. Cash pot, but likely to be dangerous to your wealth: Sell
Cue Energy	CUE	\$ 0.250	8	165	173	PNG, Ta, Cv, Ba, Indonesia	Development spend in Indonesia delivering cash flow from Maari & Oyong. Longer term potential from PNG & Bass Basin with Artemis & Caterina upside: Spec Buy
Cityview	CVI	\$ 0.003	(2)	6	4	Cameroon Angola	Hopelessly optimistic company with no cash: Sell
Carnarvon	CVN	\$ 0.330	30	197	227	Thailand, Cv	Self funded from 2,500 BOPD Thai oilfield, slow build-up & difficult exploration & development conditions hold stock down. Sub \$10/bbl market cap but needs new focus for cash: Spec Buy
Drillsearch	DLS	\$ 0.056	8	106	114	Co, Bo	Too many shares. Focus on Cooper oil & unconventional gas/oil. Spec buy
Empire	EGO	\$ 0.009	6	28	34	Cv, P, Ca	Size of Co's quarterly report has inverse relationship to value. Lifestyle company, but recent Perth Basin gas find supports value of about \$40 million. Avoid under current management
Eureka Energy	EKA	\$ 0.215	2	31.2	33.2	Gulf Coast Turkey	Sugarloaf development requires more cash so possible corporate target for AUT longer term. Zombie company with no cash, close to fair value: Wait
Elk Petroleum	ELK	\$ 0.094	1	9	10	USA	In dire need of equity after period of frantic Hereford dirty gas & Grieve oilfield announcements which say little. SPP at 10 cts will not raise anything. Sell

(Continued on page 6)

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Emerald Oil & Gas	EMR	\$ 0.022	1	1.9	2.9	Ca, USA	Mired in litigation & in great need of new equity while building gas production from Appalachian shale but unattractive in current US gas market. Looking for new focus: Hold for option value of company
European Gas	EPG	\$ 0.19	(55)	95	40	France Italy	Technically insolvent company needs to find \$55 million by year's end. Poor progress on European CSG projects: Sell
Eromanga	ERH	\$ 0.052	3	8	11	Brazil	Low on cash, Seeking to establish cash flow from onshore Brazilian oil. Small time so far. Wait
Eastern Star	ESG	\$ 0.80	30	694	724	Gu	Chewing through cash. Building reserves. 9 Tcf of 3P + 3C high cost CSG target. Care required at this price as market wonders about time to gas sales. Low perm coals require expensive horizontal wells
Entek	ETE	\$ 0.165	7	30	37	GOM, Su	Funding from GoM gas & Surat oil to explore & develop shale/CSG plays in Colorado's Green River Basin. Hot play. Spec buy
Exoma Energy	EXE	\$ 0.210	2	62	64	Pe	Huge funding commitment in Galilee for CSG & shale. Busy seeking farm-in support, with negotiations underway. 2 Tcf of 3C gas. Sell
Elixir Petroleum	EXR	\$ 0.052	6	3.5	9.8	GoM, UKCS	Partly funded by GoM gas production. Moselle permit in Paris Basin, nice place for wine but good luck with French farmers when fracking shale! Needs progress on UKCS farmouts: could be due for a market run. Spec Buy
First Australian	FAR	\$ 0.057	10	28	38	Canada, Gulf Coast, Senegal, Ca	Offshore Senegal permit now 90%, clock ticking for farm-in support. Guinea Bissau project. One trick pony high risk. But limited downside: Spec Buy
Fall River Res	FRV	\$ 0.015	1	7.4	7.9	Gulf Coast	Exit oil & gas to focus on 'new energy' Wadeva! Become geothermal: Sell
Global Petroleum	GBP	\$ 0.135	22	2	24	Malta, Kenya Texas	Value of 16 cps for cash & Leighton/EFS oilfield. Re-interp on Uganda looks like a dead duck. Cheap, but no reason to buy.
GB Energy	GBX	\$ 0.022	1	2.0	2.7	Czech Rep Ta	Uranium in Eastern Europe & oil & gas project search. Needs cash. Testing solvency: Sell
Golden State	GDN	\$ 0.038	(2)	21	19	Utah	Has chewed up well over \$30m of shareholder funds. Small gas flow established which will never return investment. Debt funding Paradox Basin, quixotic project: Sell
Africa Petroleum	GFE	\$ 0.47	220	404	624	Liberia	NSX listing for company targeting 1.8 bn bbls offshore W Africa. Timis & Sage. Not for the faint hearted, but bound to be a wild ride.
Grand Gulf	GGE	\$ 0.012	-	11.3	11.3	Gulf Coast	Long list of GoM prospects but no cash. Bankers control: Sell
Golden Gate	GGP	\$ 0.028	2	25	27	Gulf Coast	Thinly capitalised but prospect rich company with some operating cash flow support, relies on farm-out for drilling capital. Wait
Gas2Grid	GGX	\$ 0.029	1	5.9	6.8	Phil, CA, NZ	Dead company with no cash little freedom to move: Sell
Galilee Energy	GLL	\$ 0.180	3	24	27	Ga	Restructured NZ coal miner with CSG/shale interests in Galilee. Needs equity to support negative cash flow, but undervalued on coal opportunities. Neutral
Hawkley	HOG	\$ 0.18	4	33.0	37.0	Ukraine	Mid July result expected on 13Bcf prospect. So far, one shot wonder, Wait/Sell

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Horizon Oil	HZN	\$ 0.285	1	321	322	PNG, China Ta,	Maari cash for field development & exploration. Beibu Gulf oilfield main risk. Stanley gas/condensate in PNG major focus. Buy below 40 cents
Icon Energy	ICN	\$ 0.175	16	61	77	USA, Er	Active CSG developer, rapidly chewing through capital. Show me the gas! Sell
Imperial Co	IMP	\$ 0.100	(18)	34.2	16.2	USA	Effectively controlled by debt provider. High cost shale gas in US: Avoid
Innamincka	INP	\$ 0.071	12	7	19	Co/Er Ba	Bass Basin development assets plus CSG & Cooper gas as Flax restarts: Will need new funding for BassGas development: Fundamentally very cheap, but wait
International Petroleum	IPO	\$ 0.335	120	225	345	Kazakhstan	Well funded Sage company, buying 50% of large oil prospects in Kazakhstan: Wait
Impress	ITC	\$ 0.052	11	35.1	46	Co	New round of Cooper drilling Q3 '10. Oil reserves support market cap. Vicpet with +10% could bid: Hold
Jupiter Energy	JPR	\$ 0.035	4	27.0	31.0	Kazakhstan	Block 31 delivers +400 BOPD second well planned. Stock trades at \$3.50/bbl of 2P (8.6 mmbbls) upside target of 20 mmbbls. Development funding is an issue. High risk with huge upside. Value below 10 cps. Spec buy
Karoon Gas	KAR	\$ 5.89	145	901	1,046	Br, Peru Argentina	Well funded. Huge gas discovery with CoPhillips, NW of Ichthys. Looking to sell down interests in Brazil's Santos Basin to fund via float. Large upside in Browse Basin LNG game, reflected in market cap. Likely takeover target long term. Hold
Key Petroleum	KEY	\$ 0.059	2	5.7	7.7	Tanzania Suriname	~\$2m pa from UK oil production with development drilling Q3. Tanzanian gas project should be sold. Italian & Suriname projects. Upcoming Perth Basin shallow oil well is high risk, expect new issue to fund. Spec buy
Kairiki Energy	KIK	\$ 0.105	(4)	63	59	Philippines Romania	Tindalo pinnacle reef play is sucking water and may prove uncommercial. Stand aside
Kilgore Oil & Gas	KOG	\$ 0.008	0	5.1	5.5	GoM Q'land CSG	No cash. Sucking funds from related company Odin. Poor reporting quality of tiny gas 'discoveries'. Little upside, now buying into Clarence Morton CSG, too late: Sell
K2 Energy	KTE	\$ 0.071	1	8.3	9.3	USA	Outsourced USA activity with 30% investment in operator. Invested in solar PV technology. Underfunded & looking sick, trading at option value: Sell
Longreach	LGO	\$ 0.008	0	3.2	3.6	Su Cv USA	10% of Austex in USA. Hobby company with no money, exploring for coal: Avoid
Lion Energy	LIO	\$ 0.038	5	(2)	4	Indonesia	Mysterious company with Asian owners. Trading below cash asset backing for good reason, despite operating cash flow. Just paying wages. Too hard!
Lakes Oil	LKO	\$ 0.006	4	30	34	Gp	Even if company had gas in Victoria, it would not be worth much. Now finding bucket loads of oil. Yes, just a few buckets of oil, not barrels full. LKO is going nowhere, even with BPT as partner. Sell
L & M Energy	LME	\$ 0.105	12	62.3	74	NZ	173 Bcf of CSG in Sthn Island NZ, but small & uncertain market, mini LNG: Sell
Marion Energy	MAE	\$ 0.025	(52)	63	11	USA	Final death throes for poorly managed company with negative credibility. Likely to be a casualty. No cash \$52m debt!
Metgasco	MEL	\$ 0.35	20	67	87	Bw	NSW 3P gas reserves of 2.2 Tj. MEL has no link to LNG, will need local value adds. Value of gas is lower than peers: Neutral

(Continued on page 8)

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
MEO Australia	MEO	\$ 0.265	30	96	126	Br, Cv	Petrobras to drill Artemis prospect Q4 10, after MEO ups its stake to 25%. Discovery worth over \$2.70 per share: Spec Buy
Magellan	MGN	\$ 1.85	72	34	106	Am	After rush of blood, agrees to buy 40% of Evans Shoal from STO for about 5 cents per Mcf of methane equivalent. Methanol project to follow. Bakken shale oil in Canada. Huge upside. Multi-phase finance package to follow: Cheapest stock on the ASX! Buy for long term value ahead of new issue.
Monitor Energy	MHL	\$ 0.004	1	13.5	14.5	Kyrgyz Rep	Kyrgyz Republic oil & uranium projects slim funding & out of control share register. Cooper oil developments & new assets: Avoid
Moby Oil	MOG	\$ 0.094	7	20.1	27.1	Gp	Brilliant deal making into Artemis & others & sell down in Artemis provides \$8 million. Artemis Discovery value of \$1.80 per share: Spec buy
Mosaic Oil	MOS	\$ 0.130	30	77	107	Co/Er, Su	Company lost its way and will be taken out of its misery by AGL's 15 cent bid. Unlikely to be another bidder. But Shell or ConocoPhillips may be starters.
Molopo	MPO	\$ 1.01	90	165	255	Bw, NSW	Successful CSG asset trader. Spending \$7m per quarter in India, Sth Africa, Canada & China. Oil production building from Bakken Shale. Take profits as the company has done. Sell
Nido Petroleum	NDO	\$ 0.145	3	154	157	Philippines	Galoc oilfield contributing operating cash. Tindalo development looks like it will crater as formation water floods in. Farmout funding required to boost stock. Plenty of Philippine upside, Wait
Neon	NEN	\$ 0.105	5	29	34	California Vietnam	Target 400 BOPD, Californian heavy oilfield, exploration upside for light oil & field development, need to see farm-out funding in place for Vietnam: Hold
New Guinea Energy	NGE	\$ 0.180	19	102	121	PNG	Drilling ~50 mmbbl Panakawa prospect in 100% held PPL-267 where discovery worth over \$1 per share. Talisman gearing up for seismic on JV permits: Spec buy
NuEnergy Capital	NGY	\$ 0.115	3	37	40	Indonesia	CSG explorer. Ex TAP MD plus elements of old Sydney Gas Board. Will need a lot more cash. Past performance is hopefully no guide to future. Wait
New Standard	NSE	\$ 0.150	9	12	21	Canning	Canning Basin cash box. Wilcox gas and Shale interests added. 10% shareholder of Buru. Possible corporate target?
Norwest Energy	NWE	\$ 0.023	1	13	14	P, UKCS, Cv, India	Significantly undervalued assets, production & exploration appeal in Perth & Carnarvon Basins & UKCS. Testing solvency, needs farmin & cash. MRRT hit price. Spec Buy
Nexus	NXS	\$ 0.240	(311)	541	230	Gp, Cv, P, Br, Bo	Longtom mercury filter operational in September. Company bleeding in the meantime. Miracle required for hugely undervalued and unfunded assets play.
NZ Oil & Gas	NZO	\$ 0.96	86	296	382	Ta	Holds net cash plus PPP & PRC shares valued at ~\$178m. (45cps). Taranaki exploration H2 '10 holds large upside, Kupe (15%) now contributing. Spec Buy
Oil Basins	OBL	\$ 0.031	0	3.5	3.9	Gp, Ca	Remains thinly capitalised with thin acreage positions, Canning CSG would be virtually worthless: Sell, Endangered species trading with shell value no cash.
Odin Energy	ODN	\$ 0.012	2	0.1	2.1	Co	Trading at cash asset backing, which correctly values the company's management
Odyssey Energy	ODY	\$ 0.034	(1)	3.0	2.0	Gulf Coast	Owns bunch of MAE shares, which are worthless, otherwise net debt & high cost exploration targets. MAE in trading halt: Sell
Otto Energy	OEL	\$ 0.075	13	72	85	Po, Thrace, Philippines	Moving towards \$90m stage II at Galoc oilfield, adds further 3-4 years of life. \$40m of W/C, Huge exploration upside in Philippines, BHP has option to fund, Turkish gas struggling. No reason to buy yet.

(Continued on page 9)

Page 8

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Oilex	OEX	\$ 0.092	15	5	20	Br, India, Indonesia	On farmout trail for further Carnarvon drilling, WA-388-P. Court win in Indonesian battle, let's see if it can collect. Avoid
Orion	OIP	\$ 0.050	10	(2)	8	Da, Su, Bw Gu	CSG cash box, now the target of multiple bids. Buying for <cash value. Hold
Origin	ORG	\$ 14.76	2,000	10,999	12,999	Ba Ot P Bw Ta, Su, Co	Hugely successful integrated energy company, CSG/LNG, Kupe, BassGas, Perth Basin, Vietnam & Otway while expanding value adding utility business. Buy on weakness
Oil Search	OSH	\$ 5.55	1,395	5,866	7,261	PNG, Egypt Yemen	Country risk recently to the fore with tribal violence along gas/LNG sites. Huge upside for imminent exploration & LNG. Strong ability to debt fund development, leveraging off cash & operating cash flow. Huge organic growth potential: Buy with value target \$8/share
Octanex	OXX	\$ 0.27	23	25	48	Cv, Ot, Ta	Exciting portfolio of exploration permits & near field development opportunities. Cash + investments worth 26 cps. Distracted by silly OIP bid: Spec buy
Pancon	PCL	\$ 0.038	2	21	23	Ca Malta Cv Kenya	Needs cash to unlock huge exploration potential Kenya. Funding has eluded PCL. More seismic offshore Kenya by Origin. Huge leverage but high risk
Planet Gas	PGS	\$ 0.070	9	26	35	Co, USA	Recapitalised, New Hope has 19.9%, Project acquisition, broad energy focus. Wait
Pan Pacific	PPP	\$ 0.16	80	14	94	Ta, Cv	Tui interest worth at least \$60m. Small Vietnam interest provides diversity. Taranaki drilling now: Buy
Promesa	PRA	\$ 0.069	1	2	3	USA	Complete waste of energy, hanging off underperforming Pryme. Pot boiler for Directors. Sell
Petsec	PSA	\$ 0.180	-	42	42	GoM, China	Beibu Gulf holds long term appeal. GoM just servicing debt, exploration started with duster. Value hard to achieve for existing management. Best bet to sell GoM assets: Hold
Po Valley	PVE	\$ 0.35	(8)	46	38	Po Valley	Gas production failing. Better value elsewhere
Pryme	PYM	\$ 0.050	5	4	9	Gulf Coast	Poor reporting of Gulf Coast 'discoveries'. Continues destroying shareholder value. Paying wages from small cash flow. Selling off interests to pay bills: Prefer Texon
Quest Pet	QPN	\$ 0.010	1	6	7	Texas, Cal	Underfunded, Californian & Texas exploration & oilfield development. Prefer GGP
Rawson Resources	RAW	\$ 0.105	1	7.1	8.1	Ta, Ot, Su, Co, Ba	Remarkably active but chronically underfunded explorer with some permits funded by JV partners, CSG & conventional interests. On the endangered list.
Red Fork	RFE	\$ 0.55	7	70	77	USA	Massively overvalued, even with 73 Bcf of poor quality 2P gas in US projects. Production cost almost equals revenue. Remains a huge sell
Rialto Energy	RIA	\$ 0.370	30	55.1	85.1	Cv, Ivory Coast	Tightly held Co with new management, along with 63.75% of Ivory Coast Block CI-202, where 80 mmbbls oil plus gas plus prospects, plus Ghana Block. Moving up on potential. New issue on its way. Spec Buy
ROC Oil	ROC	\$ 0.32	28	197	225	P, Angola UKCS, China	A litany of woes & litigation bedevils company, which has lost confidence. China assets, a big dark cloud. Beibu Gulf project unlikely to fire up value meter. Exploration in West Africa or Carnarvon/Perth Basins is key: Hold for 60 cent value
Red Sky Energy	ROG	\$ 0.011	3	7.7	10.7	Co, Cv	High risk CSG explorer with little appeal, running out of funds

(Continued on page 10)

Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Range Resources	RRS	\$ 0.088	12	78	90	East Africa	Diversifying away from Puntland through Georgia & Texas, where gas production now provides pin money. Still a sell
Sundance	SEA	\$ 0.190	7	38	45	USA	Oil focused company, business model suited to private company, trading permits. Business model only works at +\$70/bbl oil. Strong Bakken Shale permit position holds value of over 38 cps. Expect new equity issue: Spec Buy short term
Sino Gas	SEH	\$ 0.027	12	13	25	China	Issue repays debt. Chinese tight gas Co, testing. Expected to need ongoing stimulation tests: Sell
Strategic Energy	SER	\$ 0.022	1	6.1	7.1	Co, Gp	Trying to retain Uley Graphite. Alongside Gippsland oil. Funding is an issue, expect an issue. Leaving sector last review: Wait
Sunset Energy	SEY	\$ 0.083	1	9.2	10.2	USA Sth Africa	Moves onshore Texas for gas play. Tightly capitalised lifestyle company which should mercifully be put to rest. Now South African shale oil & gas assets! Raising money to pay wages. Better value elsewhere. Sell
Solimar	SGY	\$ 0.042	1.3	8	10	California	John Begg now at helm. Drilling 35% held, ~10 mmbbl Gujarral Hills in August. Worth 35 cps on success. Stock is now a speculative buy.
Somerton	SNE	\$ 0.007	0	9	9	Ot	Beach subsidiary with no cash. Option value, better trading opportunities elsewhere.
Samson Oil & Gas	SSN	\$ 0.049	50	26	76	USA	Lifestyle company. Sale of some Green River Basin acreage repays banks, provides cash to grow & underpins value at ~7 cps.
Santos	STO	\$ 12.27	(900)	11,133	10,233	Co, Cv, Br Vietnam	Arcing up on CSG/LNG plus new Carnarvon developments. Moving downstream into power. Well positioned for growth. Ultimate target when oil prices rise. Buy
Stuart Pet	STU	\$ 0.370	2	21	23	Co, Gp, Bo	Dwindling Cooper oil revenue. Poor financial risk management. No value trigger. Shale gas/oil a pipe dream. Has fallen to value point & no longer a sell.
Strike Energy	STX	\$ 0.225	2	72	74	Co, Cv Gulf Coast	Texas Gulf Coast operations deliver ~\$8 m pa of free cash, Sth Australian Cooper CSG targets now drilling, hidden coal value. Going sideways, no reason to buy yet, Low gas price hurts.
Sun Resources	SUR	\$ 0.052	1	17	18	USA, Malta Thailand	~\$1m net cash. Thai JV has been slow, US assets pay wages & service debt, but are a distraction: sell
Syngas	SYS	\$ 0.015	1.0	3	4	Sth Aust	Coal to gas to liquid plus power combined project in St Vincent's Gulf, Sth Australia. Will need lot more funding. Trades as if it is going out of business. Wait
Tap Oil Ltd	TAP	\$ 0.87	65	71	136	Cv, Brunei Philippines	Well funded, tightly capitalised explorer. Focus on Brunei/Philippine drilling 2010, large gas/oil potential, plus West African oil play. Management change creates uncertainty: Spec Buy
3D Oil	TDO	\$ 0.195	8	32	40	Gippsland, Bass	Multiple large prospects in Gippsland & Bass Basins. W Seahorse looks too small, uncommercial. Bass Basin 3D in '11, needs farm-in funding support to drill. Hold
Target Energy	TEX	\$ 0.023	1.0	2.6	3.6	USA	Highway 71, Texas gas discovery boosts value, fracking will increase flow. Stock is cheap but underfunded & too small: Hold
Tangiers	TPT	\$ 0.087	2	4.2	6.2	Co, Er	Interesting Moroccan project plus Cooper gas & oil drilling 2011? Huge leverage.
Transerv	TSV	\$ 0.015	2.7	11	13	Perth	10% interest in Warro tight gas project in Perth Basin new seismic & well in 2011, fracking has produced near commercial flows: Long term spec: Buy below 2 cents.

(Continued on page 11)

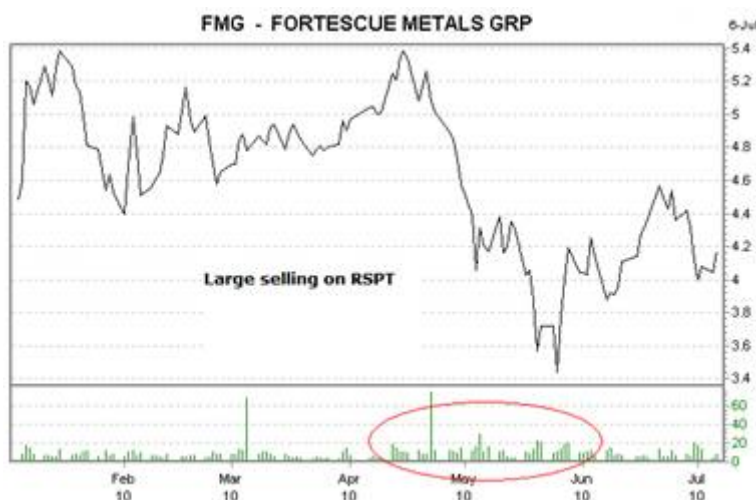
Company	Code	Share Price	Net cash \$m.	EV \$m.	Market Cap \$m	Region Basin/state	Comments
Texon	TXN	\$ 0.39	16	52	68	Gulf Coast	Leighton oil underpins current value, Maroubra & Eagle Ford play adds +\$1 upside for success: Debt funding option. Company is cheap, possible corporate action. EFS well Q3 will demonstrate business model. Spec buy
Verus Investments	VIL	\$ 0.020	0	13	14	USA	45% Fausse Pt oil & gas discovery. Prospect rich, cash poor. Shaking the tin at 2.2 cent for SPP, no takers. Plan 'B'? Investment company. Not exciting
VicPet	VPE	\$ 0.290	44	108	152	CSM Focus	New management & focus on Cooper oil, has never looked stronger. Prime position to sell CSG into Fisherman's Landing LNG: Spec buy
Westside Co	WCL	\$ 0.44	65	45	110	Surat	Well funded Bowen Basin CSG developer with BG: Cheapest CSG story, also Galilee, Path to market is unclear: Wait
Westralian G & P	WGP	\$ 0.014	0	2.4	2.7	P, USA	Frantically shaking the tin for cash in struggle to survive, testing for CSG in WA. Going nowhere: Sell
Woodside	WPL	\$ 41.25	(3,450)	35,631	32,181	NWS, Ot	Short term pain as gas/LNG price weakens, but Pluto LNG is the growth focus, Martell & Noblige gas could ensure Pluto II. Buy any dips for this long-term energy player
Xstate	XST	\$ 0.250	2	7.4	9.4	Med	Farmin in on ADX Energy's Lambouka drilling & surrounding prospects. Spec buy

Basin Key		
Am		Amadeus
Ba		Bass
Bo		Bonaparte
Br		Browse
Bw		Bowen
Ca		Canning
Co		Cooper
Cv		Carnarvon
Er		Eromanga
Ga		Galilee
GoM		US Gulf
Gp		Gippsland
Gu		Gunnedah
Ot		Otway
P		Perth
Pe		Pedirka
Su		Surat
Sy		Sydney
Ta		Taranaki
UKCS		North Sea

Post Script

StockAnalysis takes back the idea that Andrew Forrest might offer K Rudd a job. Fortescue's share registry has been decimated as its large overseas shareholders head for the door. HELLO Canberra, is anybody there? StockAnalysis predicts that Australia's junior iron ore and coal sector will wither on the vine under the MRRT. No investor is going to take the sort of risks involved when the returns are so restricted by fiscal policy. Existing players will of course continue and will not shut shop, but they will reconfigure capital spending over time, to favour other jurisdictions.

Recommendation: sell all your junior iron ore stocks now.



SEAAOC – South East Asia Offshore Conference 2010

I will be speaking at the upcoming SEAAOC—South East Asia Australia Offshore Conference 2010—in Darwin on 22-24 September 2010. My presentation will focus on peak oil and gas (Where are we at?) and petroleum investment (How attractive is Australia, who are the upcoming players, and why?).



For more information, click [here](#).

Special offer: Register now and receive a complimentary place* at the SEAAOC official closing dinner courtesy of Peter Strachan. For more information, click [here](#).

**Please note that the complimentary place is available to those registering for the two day conference package or above.*

Contact

Peter Strachan:

Peter@stockanalysis.com.au

Pex Publications:

oilinfo@pex.com.au

5/1 Almondbury Rd Mt Lawley, WA 6050

Tel: 08 9272 6555 Fax: 08 9272 5556

Website: www.stockanalysis.com.au
www.pex.com.au

Disclaimer

The information or advice (including any financial product advice) herein is believed to be reliable and accurate when issued however, StockAnalysis 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.

The author has small holdings in shares of BRU, SRI. Modest holdings in ABC, ADX, ROC, NMS, OEL, OSH, CWP, NXS, UXC, MGR, COF, PAG, SUN, COE, HZN, RCR, TAP, AWE, TLS, PTM, WPL, & GLH and larger holdings in ACE, HAV.