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Mosman Oil & Gas's share price almost trebles after just six months on London's AIM

By Stewart Dalby



Australian group [Mosman](#) Oil & Gas floated on London's AIM on March 14 this year. It had some near term production assets in New Zealand and some potential high impact exploration acreage in Australia. It raised £1.5 million at 8p a share and said this meant it was fully funded to quickly turn itself into a self-funded cash generative business.

In other words, [Mosman](#) really landed running. Last weekend (Saturday) marked six months since the float and the group sure has covered a lot of distance in that time. On floating it said it would be starting drilling on its Petroleum Creek project in the southern extension of New Zealand's prolific Taranaki Basin in within weeks.

Oil seeps in Petroleum Creek

Oil deposits were first discovered in Petroleum Creek 1897 and between 1902 and 1985 there were numerous wells drilled around the surface oil seeps but with limited success. [Mosman](#) aimed to use modern exploration methods to make sure its wells were drilled in the right place to intersect with a potential mean un-risked recoverable oil-in-place estimate of 26.6 million barrels.

[Mosman](#) was as good as its word. The company announced on June 6, a Friday that the first well, Cross Roads-1 was spudded that day. Barely three days later on June 9, with a weekend in between, the well had reached a depth of 172m and there were oil shows. (The wells are

shallow at a target depth of around 200m or 500m at most, take two weeks to drill at most and are also cheap at around A\$200,000 a pop).

At Cross Roads-1 [Mosman](#) tested Eight Mile and Cobden Limestone formations known to contain oil in offset wells. The well was very quickly declared a discovery.

Crestal-1 followed rapidly on Cross Roads-1 and was also declared a discovery. Crestal-2 has reach 50m both these wells have been drilled close to a number of old wells that had oil shows and flows. Cross Roads-1 and Crestal-1 will be re-entered to perform production tests on all zones in which oil shows were recorded.

A comprehensive evaluation of all data including the previous operator's seismic by SRK Consultants in 2013 has identified an inventory of 22 targets in the licence area (100 per cent by [Mosman](#)). Grasping the opportunity of being an early entrant and market leader in the Taranaki oil system, [Mosman](#) is already the most active operator on the South Island. On the back of the early meaningful successes, the company's originally planned a 2 to 3 well programme but is now expected to increase to 5 or 6 wells over 2014. Expanding on the investment in Petroleum Creek, at least two additional permit applications will be made in the current New Zealand 2014 Block Offer round. Following all this and after the Oilbarrel conference on July at which [Mosman](#) presented, the share price had risen to 14p.

But Petroleum Creek is not all the company has. There is the potentially high impact Australian exploration acreage. The Officer Basin Project covers an enormous 22,527 sq km area in the Western Australian part of the Basin. [Mosman](#) is on course to obtain 25 per cent of the permit.

Officer Basin's geology is believed to be similar to the productive Amadeus Basin in the Northern Territory in Australia and to basins in Russia and Oman, which have producing oil and gas fields. Few exploration or stratigraphic wells have been drilled in the western Officer Basin but hydrocarbons have been reported in a number of wells. Several structural leads have been mapped in the permit and all elements of a petroleum system seem to be present. The permit will formally be awarded after the Native Title Act (NTA) requirements which deal with traditional owner issues are met.

Building on its early successes [Mosman](#) went to the market in July and raised £3million for just over 13 million shares at 23p which represented a 188 per cent increase on the placing

price of 8p. Some of this money was quickly used to build up its Australian holdings through a takeover of Trident Energy.

The total consideration for the Trident bid, which has just gone unconditional, was around £1.6million based on (based on the then current share price of 0.23p and an exchange rate of £1: AS1.813). The offer was one [Mosman](#) share for five Trident shares (priced at A\$0.078p) plus a settlement of loans and directors fees and a cash loan of A\$750,000. For its money [Mosman](#) acquired exploration assets located in the highly prospective Canning, Amadeus and Otway basins with exposure to both conventional and unconventional oil and gas opportunities. The permits are VIC/P62 in the Otway Basin, EPA 145 in the Amadeus Basin and the EP478 in the Canning Basin.

All of these have potentially considerable upside. The most advanced though is the Canning Basin where the permit covers a large structure on a proven petroleum system. Trident has the right to farm-in to earn 17.5 per cent of EP478 by funding 25 per cent of the first well.

Following the takeover of Trident, [Mosman](#) did another acquisition in August, albeit a smaller one. Again it was an Australian group that was bid for in the form of Oilco.

Oilco is the holder of one exploration permit (EP156) on which a number of prospective leads have been outlined by SRK and there is one exploration permit application EP(A) 155 in the Amadeus Basin. EP156 and EP(A) 155 are complimentary with Trident Energy's permit EP 145. With the Trident deal all but done and dusted [Mosman's](#) holdings will cover a total of 5,458 sq kms.

Thus [Mosman](#) has covered a lot of ground in just six months. One broker said: "Investors would be hard pressed to find many companies on AIM or any other resources market which have achieved similar and substantial successes so soon after listing – or even within their first few years of operations."

The broker concluded: "Investors looking at [Mosman's](#) share price may consider it has already bolted But given the management's objective to build [Mosman](#) into a mid-cap oil and gas company within three years, the company is still in the very early days of a likely ongoing, substantial, and long term success story, and the current market cap of under £20m does not look too challenging."