



TREADGOLD

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The A-team walks tall in Texas

Four small Australian operators in the Gulf oil industry chose well in staying onshore and are reaping the benefits of runaway prices.

Hurricanes Katrina and Rita caused Australia's big two in oil, Woodside and BHP Billiton, a lot of pain at their Gulf of Mexico operations. But it was a different story for the string of small Australian oil and gas companies that now call Texas home. Aurora Oil & Gas, Antares Energy, Amadeus Energy and Adelphi Energy are among the dozen or more Australian companies cashing in on sky-high prices for oil and gas in the United States.

Unlike the big oil companies, the small operators have not ventured into the deep waters of the Gulf, where most production platforms suffered some sort of damage and, in extreme cases, were washed away.

Picking the best of the small Australians operating in the onshore areas of the US is not easy, largely because they are all doing well with oil at \$US60 or more a barrel. The loss of production from offshore fields means prices for any form of petroleum in the US will stay high for months, possibly years.

The four companies chosen to illustrate the appeal of US oil have a common investment theme. They are focusing on a part of the world that (a) has known and extensive oil and gas reserves; (b) has readily available infrastructure and technical skills; (c) is a thirsty market; and (d) has locals that speak English (or a close derivative) and generally obey the law.

Amadeus has been in the Texas oil patch the longest, thanks to the knowledge of the region gathered by its chief executive, Geoff Towner. A lone advocate for many years, especially when oil slipped to \$US10 a barrel, Towner has built Amadeus to the point where it achieved a record profit of \$11.1 million in the year to June 30. It has 246 oil and gas wells in 15 counties across Texas, and Towner expects to expand oil production from 282,000 barrels last year to about 450,000 this year. The Amadeus share price has jumped from 58¢ to \$1.10 over the past 12 months.

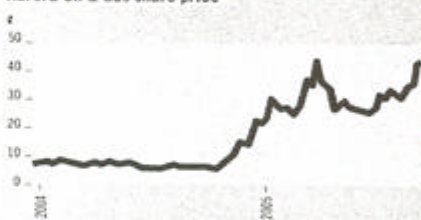
Following in Towner's footsteps are three newcomers to Texas. Aurora and Adelphi floated earlier this year and Antares is the renamed Amity Oil, which has sold its gas assets in Turkey and switched to the US. None is yet to display the level of market support shown for Amadeus, despite Aurora getting into production quickly through an interest in the Flour Bluff gas field near Corpus Christi, on the Gulf coast, and acquiring, with Adelphi, a 12.5% interest in the potentially very big Sugarloaf gas prospect about 150 kilometres from Houston.

If Sugarloaf, which is scheduled to be drilled this year, lives up to the promises made by its proponents, then Aurora and Adelphi can expect a market re-rating. In theory, the prospect holds "several" trillion cubic feet of gas, a company-maker for any small explorer.

Philip Rennie is on leave

CASHING IN

Aurora Oil & Gas share price



SOURCE: BLOOMBERG

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