

Adelphi and Aurora farm into big Texas gas prospect

Thursday, September 15, 2005

PERTH-based juniors Adelphi Energy and Aurora Oil & Gas have increased their international exploration assets, acquiring a 12.5% interest each in a large onshore prospect in southern Texas, the companies said today.

The juniors said the 80 square kilometre Sugarloaf prospect was one of the largest un-drilled structures in the onshore US.

The farm-in well will target gas reserves of about 800 BCF at about 5200 metres depth in a deep growth fault structure.

The field has upside gas reserve potential of several trillion cubic feet, according to Adelphi and Aurora.

With drilling due to start in late 2005 to early 2006, Adelphi and Aurora will earn their 12.5% stakes by paying 15.625% each of the well and leasing costs.

The companies said high gas prices and nearby gas processing and transport infrastructure, meant gas discoveries could be quickly and profitably commercialised.

Aurora executive chairman Jon Stewart said this was potentially a company-making prospect for his firm.

"Sugarloaf is unusual among the large number of onshore USA hydrocarbon prospects in that it is a giant prospect with multi-million cubic feet gas potential," he said.

"Most similar onshore US prospects were drilled long ago, even at this depth. Modern processing of 1970s and 1980s seismic revealed the presence of the major Sugarloaf anticline which was not evident from the original processing."

This will be Aurora's second project. It is also involved in the Flour Bluff gas project on the Gulf Coast, and the operator at Sugarloaf will be Flour Bluff operator, Texas Crude Energy, Stewart said.

"We are very pleased to have extended our association with Texas Crude and to work with Adelphi with whom we feel we share a similar exploration and development philosophy," Stewart said.

Adelphi executive chairman Alex Forcke said the company had been seeking exploration opportunities outside Australia.

"We immediately recognised Sugarloaf as a perfect fit for Adelphi," Forcke said.

"We have been looking for exploration assets which have been overlooked by the majors, are big enough to provide plenty of upside for our shareholders and can quickly generate cash flow and Sugarloaf has all these ingredients."

Adelphi was set up by Perth Basin producer Arc Energy to pursue medium-to-high risk/reward prospects outside Arc's home territory.

Adelphi was also recently awarded two highly prospective exploration blocks in onshore Yemen, the company said, which are scheduled to start next year and to be operated by Oil Search Ltd.

The company said it was also pursuing prospective opportunities South East Asia and Australia.

Its first project will be Magnolia-1, a Timor Sea well to be drilled in October or November.

Joint venture partners in Sugarloaf are Adelphi (12.5%) and Aurora (12.5%), with operator Texas Crude and several private US companies holding the remaining 75% interest.