



Gush to judgment

Tuesday, August 7, 2007

A prospective oil producer with the biggest onshore exploration tenements in Australia resisted the market correction.

Our punt on **Central Petroleum** a week ago was a winner for followers of the Speculator, for it was one of the few stocks to rise in the subsequent mid-week sell-off sparked by falls on Wall Street.

Those who got set will be pleased to learn that the story keeps getting better. We bought into this early stage oil and gas explorer ahead of managing-director John Heugh's arrival in Sydney to do the rounds of investors and brokers. I suggested the company might need to raise about \$10m in new capital to drill up to six wells on its vast tenement holdings in central Australia.

Bingo. Heugh, a petroleum geologist, now assures *The Bulletin* they are unlikely to need a fund raising of anything like that - because they've tied up at least one farm-in agreement with another three in the pipeline to fund more than \$30m in exploration over the next 18-24 months.

This will keep issued capital tight while others pay for the exploitation of the company's increasingly attractive assets.

The little-known Central Petroleum, which listed last year, now holds the largest exploration area in onshore Australia. Its 230,000 sq km of prospective ground over the Amadeus and Pedirka basins straddles the southern part of the Northern Territory from Queensland into Western Australia. Much of this was accumulated from the late 1990s, when oil traded at \$US12 (\$14) a barrel and the massive gas potential of this remote area was commercially irrelevant.

SOLD

**100,000 Golden Cross Resources @ .053¢
\$5122 (Bought .038¢; 18.05.07)**

BOUGHT

30,000 Central Petroleum Ltd @ 19¢ \$5782

Now, as revealed in last week's *Bulletin*, the territory is emerging with prime potential for a valuable gas-to-liquids (GTL) development as the world oil price is tipped to top \$US100/barrel in the next few years.

An enthusiastic backer of Central Petroleum is stockbroker Barry Dawes, principal of Martin Place Securities. A shell company born out of that investment house (and no doubt a future float) is HE Nuclear, which has agreed to acquire a 25% interest in two exploration permits by funding 50% of pre-drilling seismic plus 50% of an initial well in each block.

Central Petroleum has a total of 18 exploration permits (EPs) or EP applications. Heugh claims another three impending farm-ins to fund up to 80% of three wells plus \$3m in seismic in each of the 18 permit areas to earn up to 40%.

That adds up to 54 wells at a contribution of about \$4m each (\$216m) plus \$54m in seismic. In the next 18-24 months, six wells and \$10m in seismic are scheduled. At 22.5c, Central is valued at \$40.5m, has \$15m cash and retains 50%-60% of all areas. We also sold our holdings in two stocks this week to clean house. Both are worthwhile, but we are moving on to new horizons.

HOW THE PORTFOLIO STANDS

	COMPANY		BOUGHT	COST (\$)	NOW (\$)
6000	Image Resources	IMA	9.01.06	av .93	2.25
6000	Andean Resources	AND	9.11.06	av .322	.85
2000	TZ Ltd	TZL	10.01.07	av 2.65	2.22
20,000	Victoria Petroleum	VPE	11.01.07	.225	.18
20,000	Admerex	ADL	1.02.07	.056	.075
3500	Sino Strategic International	SSI	15.02.07	av 2.60	2.35
40,000	Orient Resource Holdings	ORH	22.02.07	av .104	.12
10,000	Navigator Resources	NAV	22.02.07	av .51	1.02
1666	Magnetic Res. ctg	MAU	16.03.07	free	unlisted
8000	Magnetic Res.	MAU	31.03.07	av .188	.24
40,000	Viralytics	VLA	3.05.07	.089	.08
5000	Amadeus Energy	AMU	17.05.07	.88	.77
10,000	TNG Ltd	TNG	7.06.07	.56	.68
5000	Cooper Energy	COE	7.06.07	.64	.77
4000	Australis Aquaculture	AAQ	19.06.07	.545	.51
5000	Prairie Downs Metals '08 ops	PDZ	28.06.07	.80	.53
30,000	Central Petroleum	CTP	26.07.07	.19	.225
Total value of portfolio					\$82,425
Owe the bank					-\$7,596
TOTAL					\$74,829
Portfolio change from Dec 29, 2006					+87%
Gain in All Ords since Dec 29, 2006 (5644)					+7.2%

The Speculator's portfolio is notional, based on prices and turnovers in the week before publication. It commenced with \$40,000 in shares at end of 2006 market valuation. The Speculator's family holds shares in TZ Ltd.