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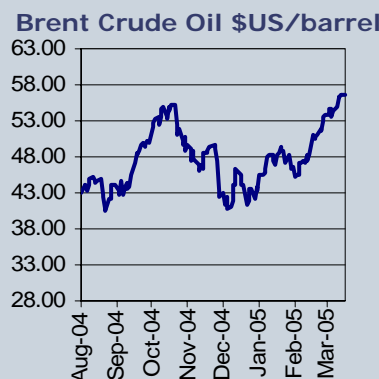
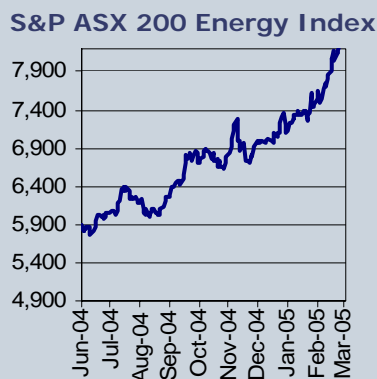
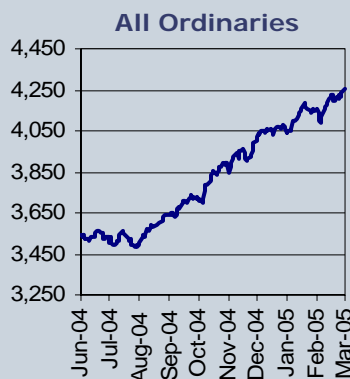
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### StockAnalysis Investment Performance

Since May 2004, the All Ords and the Energy Indices have risen a remarkable 22.7% and 48.5%...

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Indices & Prices	
All Ordinaries	4255.80
Energy Index	8470.30
Brent US\$/bbl	56.62
AUS\$/US\$	0.7937
As at Close Mar 22nd	



## Market Moves

The market is experiencing a long awaited, healthy correction. Whether this move becomes a more serious downturn is still to be determined.

StockAnalysis has long felt that it is good policy to cash up prior to May (sell in May and go away). The reason for this is that there are often bargains to be had in the market during June and early July as selling related to tax planning can present remarkably good value for discerning investors.

## Sun Resources Begins to Shine (SUR)

Sun Resources has significant speculative appeal, based on an active exploration programme scheduled for 2005. Success at its Flour Bluff gas field re-development project (12.5%) near Corpus Christi in Texas, would add at least 17 cps to our valuation, almost underwriting Sun's current share price on its own, and Sun's interest in offshore Malta could add over \$1 per share if significant hydrocarbons are found.

### Sun Resources Valuation of Exploration Portfolio & Other Assets

Prospect	Holding %	Target		Total Value \$m	SUR Value \$/share	Risk %	Cost \$m	SUR Value \$m	Rised Value \$/share
		Gas Bcf	Oil MMBbl						
Vesta WA 261 P	6.2%		12	\$ 127	0.07	9.1%	0.1	0.6	0.005
Gats WA 261 P	6.2%		17	\$ 187	0.10	9.1%	0.1	0.9	0.008
WA 254 P	7.9%			\$ 1.5	0.00	9.1%		0.1	0.000
WA 257 P (Sextant)	9.6%	50	10	\$ 123	0.10	8.3%	0.6	0.4	0.003
WA 340 P	8%		40	\$ 440	0.30	6.3%	0.6	1.6	0.013
Sydney Basin CSM	20%		80	\$ 36	0.06	40.0%	2.0	0.9	0.008
Flour Bluff Production	8.75%			\$ 17				1.5	0.013
Flour Bluff	8.8%	77	1	\$ 228	0.17	28.6%	2.0	3.7	0.032
Wyoming CSM	20.0%								
San Joaquin (Eagle)	6.25%	30	17	\$ 421	0.23	6.7%	0.0	1.8	0.015
PEP 38330	12.9%	20	5	\$ 132	0.15	7.1%	0.8	0.4	0.004
Malta	4.0%		300	\$ 3,300	1.13	7.1%	0.0	9.4	0.081
Cash	100%				0.01			1.1	0.009
Investments	100%				0.02			2.7	0.023
options	100%				0.02			2.6	0.022
Corporate					- 0.02			-2.0	- 0.017
					<u>2.35</u>			<u>6.22</u>	<u>0.22</u>

Source: Strachan Corp. Pty Ltd.

## Flour Bluff

Sun, along with its partners, Victoria Petroleum and Tony Barlow, has purchased a 12.5% working interest in a gas field redevelopment project over the Flour Bluff project near Corpus Christi in SW Texas. The field lies under shallow water at drill depths of between 1,800m and 3,700m with drilling access from man-made islands. Reservoirs vary in quality but consist largely of deltaic fans of often poorly sorted, clayey sediments, resulting in low permeability reservoirs, which respond to fracture stimulation to encourage commercial gas flow rates. Current combined gas production of 3.2mmcuft per day produces a cash flow to Sun of about US\$0.5m pa, the value of which reflects Sun's initial payment for its 12.5% working interest.

(Continued on page 2)



## Sun Resources

<b>ASX Code</b>	<b>SUR</b>
<b>Current Price</b>	0.21
<b>Number Shares (mil)</b>	99.1
<b>Market Cap (mil)</b>	20.81
<b>Contact:</b>	
4 Bendsten Place Balcatta, WA 6021	
<b>Tel:</b> (08) 9345 4100	
<b>Fax:</b> (08) 9345 4541	
<a href="http://www.sunres.com.au">www.sunres.com.au</a>	

Sun's capital commitment for an initial programme of 3 new wells plus work-over of 4 wells amounts to approximately A\$1.3m over the next 5 months, which the company has already paid. This programme is designed to develop additional production and to substantially upgrade 3P estimates of 92Bcf of gas. By August or September, funding for the ongoing work should be sourced from cash flow and may be assisted by project debt funding.

The experience of the Australian joint venturers in the US market and their understanding of tight gas field redevelopment provides a level of technical understanding which gives StockAnalysis confidence in the project. It should also be noted that gas field redevelopment has become a mainstream activity in the USA, utilising recent advances in drilling techniques, employing under-balanced drilling and high tech drilling mud systems along with multilateral completions and advanced fracture stimulation techniques.

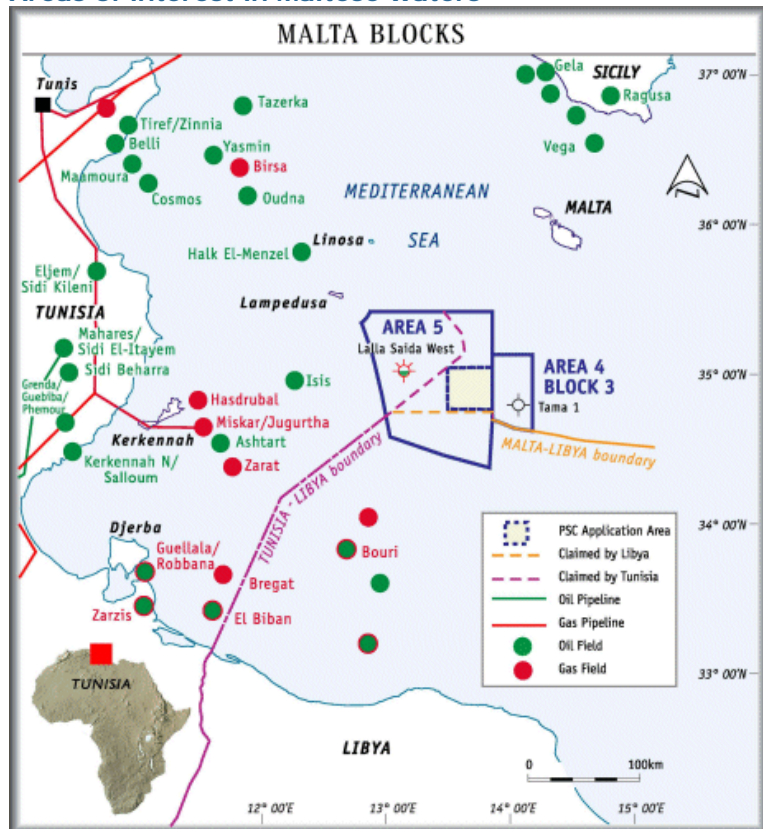
Development capital costs are estimated at about US\$1/Mcf with additional operating capital costs of about US\$0.30/Mcf bringing total capital costs to US\$1.30/Mcf. Operating costs are estimated at US\$0.35m pa plus US\$0.28/Mcf.

Assuming moderate success with the sale of 76Bcf of gas over a 12 year period, this project is estimated to be worth \$A19m or 17 cps to Sun, substantially underwriting its current share price. By July/August 2005 the company (and investors) will know if its plans for the Flour Bluff field redevelopment are achievable and the market will value in the results as they come to hand. Early drilling has been highly successful. Early drilling work appears to have more than met early expectations, with several gassy sand units penetrated. Logging and testing during April will provide more solid proof of gas deliverability and show the need for additional work to promote gas flows.

## Malta

Sun has a 20% interest in a large Mediterranean permit in Maltese waters with partner Pancontinental Oil & Gas. A recent 2D seismic acquisition programme has upgraded several large structures, capable of holding multi hundred million barrel oil plus Tcf gas accumulations, similar to those found in neighbouring Tunisia and Libya. The JV will shortly seek a farmin partner to drill one or two wells. StockAnalysis assumes (a worst case position) that Sun will retain a 4% interest as the farmin partner(s) may seek to earn an 80% interest for the work. The project is high risk but if successful could add over \$1 per share to the value of Sun.

## Areas of interest in Maltese waters



StockAnalysis values the project on a risk adjusted basis at \$9m, which in itself is a big call considering Sun earned its interest by spending just A\$325,000. However, considering that Woodside had to bid a programme of over US\$100m to win 4 Blocks in neighbouring Libya, this value seems reasonable. The market will not value this asset highly until the funding risk is reduced with the appointment of farmin partners, expected late in 2005.

## WA-261-P

Upcoming drilling at the Vesta and Gats prospects in the Carnarvon Basin on two shallow prospects holds promise for 30MMbbls of oil which could be developed at low cost for production at the nearby Stag oilfield. Discovery would add about 13 cps to share valuation and StockAnalysis currently values the projects at \$1m or 0.9 cents per share on a risk adjusted basis.

## WA-340-P

Sun holds a 20% interest in this project containing two leads with a combined potential for 150MMbbls of oil. Additional seismic will be acquired in Q1 2005 with the aim of firming up a prospect. Discovery of 40MMbbls in this location would be worth 26 cps. We assume that Sun retains its working interest.

(Continued on page 3)

## *Sydney Basin CBM and Wyoming CBM*

No value is presently ascribed to these projects. Initial drilling and test coring in Wyoming has commenced. Core samples have been cut in gassy coals and test work will be undertaken to determine if it is possible to commercialise this resource. The Wyoming project is very deep at over 1,000m while there are administrative difficulties with the Sydney Basin project. Further evaluation and a firm business plan could substantially re-value both projects.

## *Eagle Oil*

Sun is a 12.5% partner in a field redevelopment project in California where estimates of recoverable reserves run to 58Bcf of gas and 34MMbbls of oil at P10 level. The project is now seeking farmin funding and StockAnalysis assumes that Sun will farm down to 6.25%. The Eagle field project is a deep project at 4,230m involving high cost, horizontal drilling to enhance delivery from poor quality reservoirs.

## *Other Assets*

In addition to cash of \$1.1m, Sun holds 5.4m shares in Samson Oil and Gas plus other investments with a current value totalling \$2.7m.

The company holds options which are due to be exercised at 15 cents in June and July '05, which would bring in \$2.568m if fully subscribed (or underwritten).

## *Summary*

***Sun is fairly priced by the market at 21 cents. Drilling in the USA at Flour Bluff, Wyoming and Eagle during Q1 and Q2 2005 plus drilling at WA-281-P in Q2 2005 will focus attention on the potential for value growth by Sun.***

Longer term, CBM projects are unlikely to have an impact on market value until clear evidence of movement towards commercial development/production can be given.

Farm out discussion for Sun's interest in offshore Malta are to begin in April and no decision is expected before Q4 2005 at the earliest. However, this project offers substantial speculative appeal.

The exercise of options in June and July 2005 is critical for Sun's ongoing financing commitments. A clear underwriting agreement would substantially reduce funding risk and lift the market's rating for the company.

## *DrillSearch Drills the Placement Zone*

Following a price rise from 7 cents to 12 cents, DLS has entered the market with a placement and SPP at 8 cents, a handsome discount on trading levels of 11 cents. Day traders are excited by DLS's prospects for developing oil production from the company's recently purchased, Bonaparte Basin interests. StockAnalysis is less optimistic.

## *Pancontinental Oil & Gas Leads the Way for Woodside*

Having first followed Pancon into offshore Kenyan waters, Woodside has once again followed our little Aussie battler, this time into the waters of the Southern Mediterranean.

At a recent Australian Institute of Management function in Western Australia, Woodside's MD Don Voelte, spoke excitedly about 4 new offshore Blocks in which Woodside has won a 55% interest with its well chosen JV partner, Occidental Petroleum. These permits in the offshore, Sirte Basin, have effectively been quarantined for the past 25 years by a UN blockade on trading with Libya. Now that Libya has said it's sorry, paid compensation and Tony Blair has visited the tent in Tripoli, all is forgiven and companies like Woodside and Armand Hammer's old outfit Occidental, have been able to re-enter and hang out the shingle for business.

Map of Southern Mediterranean Sea



Source: Oil Search Exploration

(Continued on page 4)



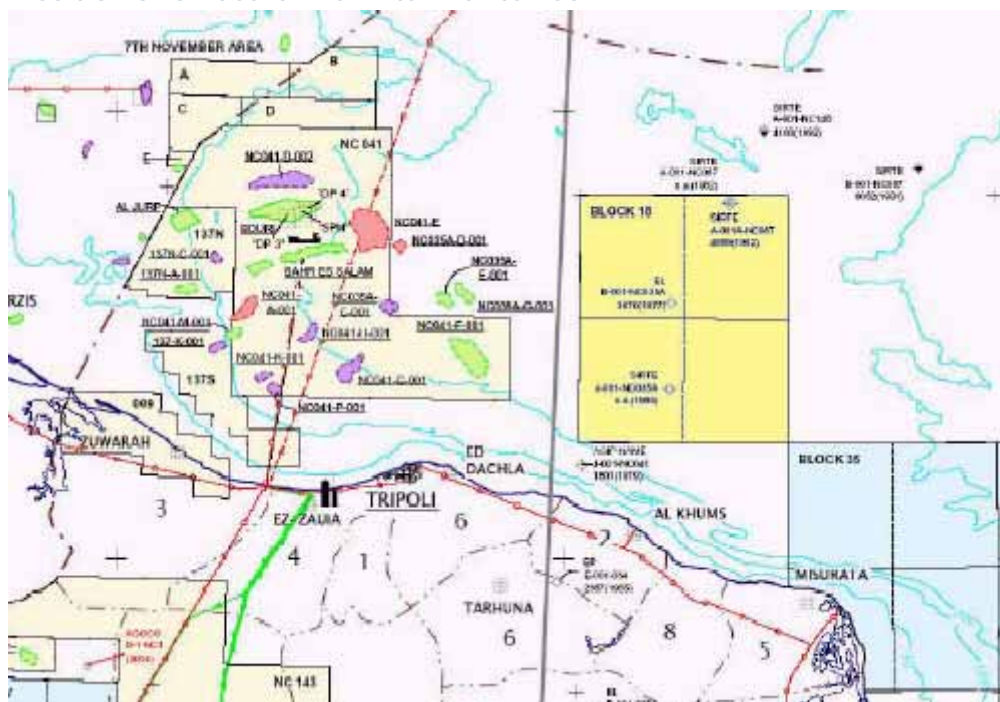
### Pancontinental

ASX Code	PCL
Current Price	0.09
Number Shares (mil)	167.4
Market Cap (mil)	15.06
Contact:	
Ground Floor, 288 Stirling St Perth, WA 6000	
Tel:	(08) 9227 3220
Fax:	(08) 9227 3211
<a href="http://www.pancon.com.au">www.pancon.com.au</a>	

Woodside is very excited about its prospects in this very oily part of the world. Mr Voelte would have been delighted to have won just one block since bidding was fierce and competitive. In the end, Woodside walked away with 4 Blocks, but not before some of the losing bidders made handsome offers to buy the blocks immediately!

The Blocks which Oil Search won in the same tender process are a short distance south of the Pancon/Sun Resources block in Maltese waters to the north east of Tripoli. (see map in the section previous on Sun Resources)

### Position of Oil Search Permits in Sirte Basin



Source: Oil Search Exploration

Woodside is very excited at getting access of such prime acreage with proven, large hydrocarbon potential, well located to markets and infrastructure. StockAnalysis sees that Pancon and Sun Resources have their foot on acreage to the north, which may be in a different geological location but still looks exciting for "big oil". Recent 2D seismic data on the Pancon Block has identified some very large leads which require further 3D work prior to drilling. Once Pancon has settled its merger with Afrex and completed its 1:4 rights issue, the company will be able to concentrate on finding a dancing partner for work in Malta and offshore Kenya.

PCL was my POTW two weeks ago and remains a firm favourite. While the company is reliant on farming out its interests to fund exploration work, it is an undervalued exploration company with high leverage in major hydrocarbon Basins. Proximity to Woodside's prime Libyan acreage will not hurt the company. The stock may see some stale bull selling at around 14 cents but once past that level could advance to 20 cents by mid year.



### Elixir Petroleum

ASX Code	EXR
Current Price	0.78
Number Shares (mil)	36.35
Market Cap (mil)	28.35
Contact:	
9 Agnew Way, Subiaco WA 6008	
Tel:	(08) 9382 3200
Fax:	(08) 9388 8042
<a href="http://www.elixirpetroleum.com">www.elixirpetroleum.com</a>	

## Elixir: The Smell of Money

Expatriate oil explorer, Elixir Petroleum held an EGM last week to approve, amongst other things, the issue of a fist full of options for Directors and executives along with the issue of up to 40m new shares as part of an AIM listing, early in April. It was a little disappointing that none of its Directors was present and the meeting was run by Elixir's broker. Elixir's Deputy Chairman was too busy in Hong Kong at the Rugby Sevens to attend this important and crucial meeting!

Never the less, the smell of money was heavy in the room. Elixir has bedded down the drilling of its Marquis prospect in July, fully 8 months after it originally planned to drill. The company aims to drill at least 5 wells over the next two years. Drilling of the Jaguar prospect now looks likely in Q1 2006. In order to fill an uncomfortable gap in share price sensitive, drilling activity from July 05 until February 2006, EXR's executives are negotiating hard to secure a drill rig in conjunction with one of its neighbours, so as to test one or two additional prospects during H2 2005.

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Elixir finds that some of its exploration prospects extend untidily into adjacent permits! However one of its cunning neighbours has secured the services of a drilling rig for 18 months and is looking to fill up its dance card with juicy targets. Elixir is attempting to negotiate a swap and farm-out agreement which would see EXR earn an interest in an adjacent permit while securing funding for drilling of its own prospect. Hopefully this work will progress to enable the company to maintain its exploration momentum through the August to December period.

Elixir is also participating in the DTI's upcoming bidding Round 23, due for finalisation on 9 June. The company has its eye on a number of Blocks which could add significant value for shareholders. StockAnalysis hopes that management doesn't let its money in the bank drive an unsustainable exploration commitment.

I have recalculated the valuation table after allowing for the issue of additional shares for the AIM listing. Interestingly, the valuation for Marquis alone is 78 cps, equal to the current market price, with upside to \$3/share for discovery of 143MMbbls.

### Elixir Exploration Values

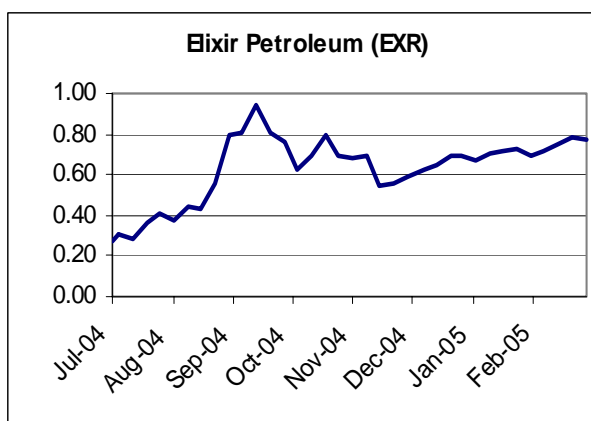
Risked Valuations										
Well	Equity	Target		NPV	Unrisked NPV/share	Risked NPV	EXR Cost	EXR NPV per share*		
		Oil	Risk						NPV	NPV
		Mbbls	%	\$m	\$/share	\$m	\$m	\$m	\$m	\$m
Marquis Block 21/6b	15%	143	25.0%	1,650	3.16	413	0.9	\$ 0.78		
Jaguar* Block 211/22b	15%	200	11.1%	2,308	3.90	256	1.5	\$ 0.42		
Global estimate Round 22	39.2%	431	6.7%	4,973	23.17	332	17	\$ 1.45		
						\$ 30.23				\$ 2.64

\* assuming farmdown for drilling

Source: Strachan Corp. Pty Ltd.

The share price chart shows that a break of the 83 cent level sets a target of around \$1.20. Elixir may need to do more work in the range 75 cents to 83 cents prior to any move. A strong move now would be inconvenient for management while it is trying to set a placement with institutions in London and Europe.

Post its AIM listing in April, Elixir will have about 30 cps in cash and exploration valuation of about \$1.20 per share for its main two prospects, prior to any valuation for Round 22 projects. A duster at Marquis would see the stock fall back to 50-60 cents but discovery should take the stock well over \$3/share after factoring in additional exploration upside.



StockAnalysis continues to recommend Elixir for a move to \$1.20 by July 2005.

## Imdex Saves the Day!

Longer term subscribers will know that I have recommended Imdex at around 20 cents for several months. The stock has shown reluctance to move above 23 cents with selling meeting any advance. Poor performance from the company's badly formulated and costly Saudi adventure has haunted the company while its minerals division was a disaster area last year and only broke even in H1 2005.

With the Saudi JV now reconstructed and payment terms being met, Imdex has finally sold its Minerals Division for up to \$8.3m. This cunning sale mechanism should obviate the need for it to declare a loss on the sale as the price approximates its book value.

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Imdex Ltd	
ASX Code	IMD
Current Price	0.22
Number Shares (mil)	111.3
Market Cap (mil)	24.48

**Contact:**  
Level 3 Redgum House,  
18 Richardson Street  
West Perth, 6005  
**Tel:** (08) 9481 5777  
**Fax:** (08) 9481 6527  
[www.imdex.com.au](http://www.imdex.com.au)

The company will net \$5m in cash plus about \$1.5m from net creditors and inventory, while payment of a further \$1.5m is contingent on the Minerals Division producing an EBIT of over \$0.5m in any 12 month period over the next 3 years.

About \$3.8m of the funds raised by this sale will be applied to the purchase of drilling fluids business, SamChem in South Africa, with the remainder going to provide working capital and reduce debt.

### Index Earning Estimates

	Y/E 30 June	2003A	2004A	2005E	2006E	2007E
Revenue \$m.	30.89	39.83	47.9	55.2	62.5	
NPAT \$m	0.91	(3.77)	3.2	4.6	5.1	
EPS cts	0.8	(3.1)	2.7	3.6	4.0	
DPS cts	0.0	0.0	0.5	1.0	1.5	
PER [x] @ 22 cps	28.8	(7.0)	8.2	6.1	5.5	
Yield %	0.0%	0.0%	2.3%	4.5%	6.8%	

Source: Strachan Corp. Pty Ltd.

Provided the accident prone management can reverse its previous form, high levels of drilling activity in the minerals and energy sectors should support powerful earning growth into 2006 and 2007. **StockAnalysis continues to recommend purchase below 24 cents with a valuation of around 32 cents.**

## StockAnalysis Investment Performance

StockAnalysis keeps tabs of its clear buy recommendations. This method of appraisal somewhat under reports our performance, since many speculative buy recommendations have performed strongly for subscribers willing to trade on those recommendations.

	Performance	
	Since Call	Annualized
Buys	42%	103%
All Ords Index *	22.7%	26%
Energy Index *	48.5%	55%

\* since 5 May

Since our first edition in May 2004, the All Ords and the Energy Indices have risen a remarkable 22.7% and 48.5%, respectively or 26% and 55% annualised. The energy index was helped by booming performances from both Woodside and Oil Search. Stock selections by StockAnalysis are up 42% since they were recommended and by 103% on an annualised basis, which I believe is a more valid comparison.

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