



## The Speculator

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**PORTFOLIO POINT: Our oil play seeks more cash to buy production plays in Texas at a claimed cost of less than a \$US1 a barrel.**

Golden Gate Petroleum (GGP) has had a less than spectacular run as an investor and operator in oil and gas plays in the US states of Texas and Louisiana.

But now the company has come up with a deal to acquire proven but undeveloped oil reserves in the highly regarded Permian Basin of west Texas at a cost of less than \$US1 a barrel.

Our portfolio holding of Golden Gate shares has tumbled from a 12-month high of 6.1¢ to a year's low of 1.3¢ a week ago before recovering to trade this week at 1.6–1.8¢. We'll stay with it for the present and look at participating in a forthcoming rights issue.

On October 22, Golden Gate announced it would buy 100% of the leases held by Arturus Capital (AKW) in "the prolific hydrocarbon-producing area of the Permian Basin in Reagan and Irion County, Texas".

The leases cover 8806 gross acres, in an area where Golden Gate continues to work on acquiring additional acreage from private third parties to complement the lease position being acquired from Arturus.

The purchase price will be settled through the issue of 196 million shares in Golden Gate together with a payment of \$US2 million cash. An initial \$US500,000 refundable deposit has been paid to Arturus, with the balance of \$US1.5 million payable within three months.

To finance the acquisition and appraisal program, Golden Gate will raise \$4.6 million in new capital through:

- A placement of 90 million shares and 90 million free attached options at an issue price of 1.2¢ a share, fully underwritten by Sydney's Novus Capital to raise approximately \$1.1 million.
- This will be followed by a pro-rata non-renounceable rights issue of one new share plus an attached free option for every 3.5 shares held, at 1.2¢ a share, to raise \$3.6 million before costs. That will also be fully underwritten by Novus Capital.

Following the new issues, Golden Gate's issued paper will blow out from 975,826,623 listed shares at the end of the September quarter (when remaining cash stood at \$3.6 million) to 1566.4 million shares.

Directors offered the cheery assessment that "for the first time Golden Gate will have the opportunity to report oil and gas proven reserves (P1). Based on a recent reserve report, there are estimated to be reserves of 4.358 million barrels of proven oil (mostly proven and undeveloped) and 11.542 billion cubic feet of proven gas reserves in the acreage being acquired."

They further saw the purchase as an opportunity to drill and complete low-risk development wells to provide a balanced portfolio offsetting GGP's current higher-risk exploration projects.

For the latest September quarter, Golden Gate's total gross share of production from existing operations was 7098 barrels of oil and 5.6 million cubic feet of gas, yielding net monthly revenue of \$152,000.

In the new areas being acquired, directors estimate the potential of each new well to recover 100,000 barrels of oil equivalent and a cost of approximately \$1.5 million to drill and complete.

"By acquiring a large working interest with mainly a 75% net revenue interest in the large 8806 acre leasehold, there is significant upside from probable resource recoveries well beyond the reserve study," they add.

"Estimates from existing drilling programs in the region indicate that each 640 acre section has the potential to recover up to 1.5 million barrels of oil equivalent."

### Scotgold issue taken up

As indicated last week, we've taken up our entitlement to Scotgold's one-for-four issue of new shares at 3.5¢,