

EUREKA *report*



The Speculator

By David Haselhurst

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Golden Gate plans a well a month in the next six months

Our oil and gas punt Golden Gate Petroleum (GGP) is planning to boost its field activities in Louisiana and Texas after acquiring a 15% working interest in the Napoleonville salt dome in south Louisiana from the Australian-listed Grand Gulf Energy Ltd (GGE).

The company predicts the first of three planned wells will spud in May, targeting a total of 9 billion cubic feet of gas and 1.6 million barrels of oil at shallow depths from 5000 to 10,000 feet, with more than half the targeted potential being classified as low-risk, proven undeveloped reserves (PUDs).

Under the agreement, Golden Gate will pay 23% of costs to earn its 15% working interest with an entry fee of \$US300,000 payable to earn an interest in the first three prospects. Golden Gate will contribute an estimated \$US190,000 towards the dry hole cost of each well plus an extra \$US130,000 in completion costs if a well is successful.

The wells will be drilled within a 5700-acre area excised from a 35,500-acre block over which Grand Gulf has completed a \$US9 million 3D seismic survey. Golden Gate will have the option to participate in further three-well programs on the same terms and can thus earn a 15% equity in the entire dome areas.

Any success should ignite some interest in Golden Gate's shares which have drifted down from a 12-month high of 10.3¢ to a recent low of 2.8¢ and this week were trading around 4¢. At that price, GGP has a market cap of \$26 million with remaining cash of \$4.4 million.

Managing director Steve Graves was preparing to do the rounds of an investor road-show this week with the likelihood of enticing some institutional investment. Graves has some good form with companies trading at low prices. Between 2002 and 2006 he ran Orchard Petroleum; its shares moved up from a low of 4¢ to 81¢ when taken over by a Hong Kong hedge fund.

David Haselhurst writes a monthly column for Money magazine.