

BARAKA WELL CONNECTED IN THE GEORGINA BASIN

When you are a junior resource company with assets in a frontier area having a major international company as your partner or even as a neighbour would be considered pretty significant vindication of your exploration strategy – but when you have both, then you know you must be in the right neighbourhood.

That is certainly the case for Australia's Baraka Energy and Resources Ltd which is taking advantage of being a first mover in what is now a "red hot" target area for some of the world's biggest oil and gas companies.

Two of those big names, Norway's Statoil and France's Total, investigated opportunities all over the globe before selecting the highly prospective onshore basins of the Northern Territory as the place they wanted to be.

On September 1, 2013, Statoil, one of the world's most successful oil and gas companies, took over as operator of

Georgina Basin permits EP 127 and EP 128 permits in which Baraka holds a 25 per cent interest, including a 75 per cent undivided working interest in the 75km sq around the Elkedra-7 well on EP128,

Statoil has committed to spend up to \$175 million by the end of 2016 on exploration activities in its Georgina Basin permits.

Meanwhile, French giant Total is outlaying up to US\$190 million on exploration programs over four Georgina Basin blocks, including EPA 132 which adjoins the EP 128 permit and sits to the north of EP 127.

\$74.5 million in assets

Interestingly, the amount Total is outlaying to farm in to its Georgina Basin permits has provided Baraka with a template for valuing its own interests.

We have calculated that Total is paying an estimated earn in cost per acre of \$37.25 per acre, which values Baraka's approximately two million net acres of Georgina Basin interests at approximately \$74.5 million.

That is a remarkable position for an \$8 million market-cap company to be in, and clear evidence that Baraka is way undervalued.

Geologically, the Georgina Basin is considered to be highly prospective for shale oil and gas, with Statoil having an initial focus on following up the oil potential already identified in the permit areas.

"They have indicated to us that they have come here looking for oil, both unconventional and conventional," Baraka Energy's Executive Chairman, Collin Vost, told Territory Focus.

That last point is good news for Baraka which believes there is strong conventional oil potential located in its blocks, particularly in the areas of its permits which cover the Hagen Member geological play. Previous independent studies conducted by the highly respected Ryder Scott has highlighted one conventional prospect that taps in the Hagen which has been estimated to have the potential to contain up to 47 million barrels of recoverable oil at the Unrisked Prospective level and up to 374 million barrels at the Unrisked Undiscovered level.

That latter figure makes it an "elephant-sized target" and Baraka is hopeful that Statoil will consider testing it with the drill bit in the future.

In the meantime, a sizeable 2D seismic program, is currently under way and this will be assessed by Statoil's technical team in Norway, with the processed data to help identify locations for a six-well program in 2014.

There is already powerful evidence to support the conventional oil potential in the area, with at least seven wells drilled on Baraka's permits returning cores which showed either Bitumen and/or Bitumen Bleed intervals, heavy oil staining and/or oil saturated intervals.

There is also strong support for unconventional oil to be found in the area after an extensive, 32m section of core was retrieved from the Owen-3H well drilled last year by previous operator PetroFrontier was seen to "bleed" considerable amounts of oil.

With Statoil rated as one of the most technically advanced oil and gas operators in the world, it is expected its global expertise will assist in overcoming some of the technical issues that affected previous drilling programs in the area.

With a "big brother" paying a majority of the bills and focusing its technical might on commercialising it and your assets, and another major player just up the road, you could really say that Baraka Energy is in the right neighbourhood for success.

