

# Raisama steps up oil and gas project

## Angela Macdonald-Smith

Raisama, the West Australian-based uranium and petroleum explorer, is within weeks of a final go-ahead for an oil project in the Philippines that should turn it – albeit briefly – into one of Australia's larger oil and gas producers by March.

Letters of intent with equipment providers for the \$US25 million (\$23.5 million) Cadlao venture in shallow water in the Palawan Basin are close to being agreed, while proposals for about \$US20 million of syndicated project debt are “on the table”, managing director Jeff Steketee told *The Australian Financial Review*.

Raisama picked up the small but potentially profitable Cadlao project

through a reverse takeover of Peak Oil & Gas last November, which pulled a targeted \$100 million float.

Some 11 million barrels were produced from the field by Amoco in the 1980s but about six million barrels more should be forthcoming, according to an independent analysis.

Production from Cadlao should start at 20,000 barrels a day before tailing off sharply, reaching about 500 barrels a day by 2016.

The payback period is estimated at two months, with gross cash flows expected to reach \$US330 million.

“The base case parameters appear attractive,” according to research group Stock Resource.

“Financial modelling at spot pricing and using a 10 per cent discount rate indicates the project worth to

Raisama is in the order of \$100 million.” The company expects to contract a drill rig and lease a floating storage vessel for the project, helping to reduce capital costs.

**Eleven million barrels were produced from the field in the 1980s but about six million barrels more ‘should be forthcoming’.**

It is also negotiating to sell forward about \$30 million of oil production to crude traders at prices similar to the Asian benchmark Tapis crude to fund the second and third production wells at the field.

It is planned to drill these wells as soon as the first one is started.

Patersons rates the stock a “speculative buy”. The broker notes the strong cash flows which should be generated by the project, but also that the funding arrangements, through debt and forward sales, leave little leeway if things don't go to plan.

Raisama also wants to drill the Cadlao East prospect, which could add another four million barrels for production. The nearby Bonita prospect could hold a further two to three million barrels and could also be linked to the Cadlao project, while Raisama was looking to acquire some other adjoining acreage, Mr Steketee said.

A final investment decision is due next month or in early September.