

Explorer in deep with offshore search for Texas tea



Company Name: Kilgore Oil & Gas Ltd
Security code: KOG
Issue price: 20c per ordinary share
Shares on offer: 30 million
Capital to be raised: \$7.5 million
Proposed listing date: July 10
Recommendation: None

WITH oil prices at record levels, the oil and gas industry is going through somewhat of a golden era. In the current environment, raising capital is not as challenging as it might be for companies in other industries.

In other words, it is a good time for private companies to go public.

Kilgore Oil & Gas is a US-based company with 10 prospects located within the Gulf Coast off Texas. All these prospects are located onshore and offshore ranging from shallow depths to deep water.

Their working interest in these projects range from 15 per cent to 100 per cent. The Texas coast is the most widely drilled area in the US for oil and gas resources. But drilling is an expensive exercise, with oil rigs often costing a couple of hundred thousand dollars a day to operate. Wise-owl analyst Sven Restel says: "It is difficult for a company exploring for oil and gas to remain private as the ability to be able to continually access capital is important." Kilgore is looking to spend \$5.5 million exploring their prospects this year, with the first well being drilled in the third quarter. Drilling carries a certain amount of risk and there is usually only a 20 per cent chance the company will find an oil- or gas-bearing resource. Beyond this is the question

whether a find is economic or not.

"Oil and gas companies need to continually be active and it is a positive that Kilgore is aiming to drill all their prospects by the end of this year. The market will likely look favourably upon this," Restel says.

The company estimates the prospects to contain risked reserves of 13 to 24 billion cubic feet equivalent of gas.

The market value of the reserves would be between \$US32.5 million and \$US72 million. Upon listing, the company would have a market capitalisation of about \$17 million.

"On a risk-to-reward basis there could be some value in the float but investors must remember that if drilling yields no success, new capital will likely be needed," Restel says.

On a success base, production could start quickly as infrastructure is available through another company named Hibernia Resources.

