

Antilles Oil and Gas management key to success

Australian Financial Review - 16/06/2015

Trevor Hoey

Link: <http://www.afr.com/business/energy/oil/antilles-oil-and-gas-management-key-to-success-20150616-ghowdf>



Antilles Oil and Gas's management have a track record of elevating virtually unknown exploration plays to star stock status.

Though Antilles Oil and Gas is only a microcap explorer, its management has experience in taking virtually unknown companies to prominent players in the energy sector. Judging from recent high-volume trading in the company, speculative investors may be looking for more of the same.

Antilles transitioned from the failed Advance Energy in mid-2014, raising \$5 million in capital at 20c per share. While the company's shares are now trading in the vicinity of 8c, it should be remembered that Antilles' entry has coincided with a collapse in the oil prices and a circa 25 per cent decline in the S&P/ASX 200 energy index.

While only a minnow, the company's strategy of targeting low-cost exploration prospects in order to generate early cash flow is sound. The March acquisition of 4000 square kilometres of acreage at an onshore location in Peru where there are working hydrocarbon systems present with historical oil production on the block is an investment which has the potential to meet management's strategy.

This development prompted a doubling in Antilles' share price in March/April, but it has since gone off the boil. However, the group's shares spiked nearly 15 per cent under record volumes on June 15 suggesting renewed interest in a company that has some big names at the helm.

More importantly, they have had experience in this region and also have a track record of elevating virtually unknown exploration plays to star stock status. Managing director, David Ormerod, founded Pura Vida and was responsible for its ahead of the industry entry into deep water exploration in Morocco.

This resulted in a subsequent farm-out to Freeport McMoran for two wells with a total value of \$230 million. However, his time as exploration manager, South America with Karoon Gas Australia is arguably of greater significance given he was involved with the group's entry to Peru where it has offshore and onshore acreage.

When Ormerod commenced at Karoon Gas in February 2007 its share price was hovering in the vicinity of \$1.50, and by 2009 it had hit an all-time high of \$12.10. During that period several capital raisings were completed and Karoon's market capitalisation soared from approximately \$150 million when Ormerod was appointed to approximately \$1.5 billion at the end of his tenure in April 2011.

SI view: While Ormerod's scope of works is significantly smaller than his days at Karoon, it could be an interesting ride for shareholders as the estimated mean potential resource of 29.6 million barrels of oil in Block 105 is situated in a position that lends itself to rapid development at low costs.