



## Screaming out for a Cooper Basin smash hit

### Strike Energy (STX) 20.5c

COOPER Basin unconventional shale is hotter than One Direction at an underage dance party, but with a gaggle of explorers touting their credentials it's hard for investors to know when to swoon.

Relative valuations are a guide and in this vein Breakaway Research compares the worth ascribed to Strike's Cooper Basin acreage with two recent deals.

In the first, **Beach Energy (BPT, \$1.37)** shelled out an implied \$675 an acre for Adelaide Energy when it took over its Cooperchum in November. BG Group paid \$340 an acre to farm into **Drillsearch (DLS, \$1.38)** ground

for a total \$130 million in July.

The BG deal translates to a \$1.36 billion value on Strike (market cap \$111m) and that doesn't account for Strike's acreage on the Eagle Ford Shale, the Toorak of shale gas addresses in the US.

"We are not suggesting that Strike should presently be valued at such lofty levels," Breakaway stresses. "But the differential between companies with much larger market values to that of Strike is stark."

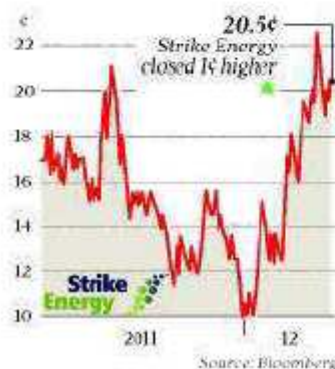
We duly note that Strike commissioned the Breakaway report.

Not all turf is the same and companies don't have identical cash resources or financial acumen. Still, Strike's \$20m raising from instos puts it in good stead to fund wells in ground shared with

Beach and **Senex Energy (SXY, \$1.07)**. On this note, Strike reported yesterday that mud and wireline logs from its Marsden I well in PEL95 (a 50-50 effort with Beach) "matched or bettered pre-drill expectations".

This can only further the southern Cooper's cred as an emerging liquids-rich gas province. But it's still early days and MD David Wrench shouldn't be expected to be accosted by investor groupies every time he ducks out of Sydney HQ. Strike is a **spec buy**.

The stock has doubled so far this year but lags Senex or Drillsearch, which have market caps of \$988m and \$467m, respectively.



Source: Bloomberg