

SHARESCOPE

Target Energy Ltd (TEX)

Analyst: Breakaway Research

Report Date: March 5

Recommendation: Speculative Buy

Issued Capital: 333,028,916

Market Capitalisation: \$28,640,487

Share price at March 26: \$0.086

12 month high/low: \$0.125/\$0.053



Breakaway Research feels that the calibre of the Permian Basin as a proven oil producing region is not to be underestimated, and that the results of Target Energy's first well, BOA 12-1, has confirmed the company's Wolfberry strategy.

The well, which intersected the highly prospective Wolfcamp and Spraberry sections and the deeper Fusselman formation, will be expected to produce at an initial flow rate of 100-200 bopd from the Wolfberry, with the 5m Fusselman to be added in later.

It highlights the potential of the Fairway project where up to 70 wells well locations have been identified at 40 acre intervals with potential well recoveries up to 180,000 bbl each.

"There is scope to double the number of wells within the Fairway project should the Texas regulator agree to change the minimum spacing from 40 to 20 acres," Breakaway said.

"This would significantly increase the exploration potential and the overall value of the project."

Three further wells are now planned within the Fairway

project area, targeting the same commingled Wolfberry intervals over the next few months.

"Proof of viable flow rates would likely lead to many more Wolfberry wells being drilled at the Fairway project and ultimately lead to significant oil and gas production upgrades and a re-rating of the company valuation," the analyst said.

Target also enjoys annualised production of 102,565 mcf of gas and about 19,700 bbl of oil from a number of small conventional fields, for which it will pocket around US\$1.6 million per annum at current prices.

Breakaway was also encouraged by the 'immediate gas show' which was observed from the target zone in the well at the Shepard's Channel prospect (Target 10.3% working interest) where a well is testing what is believed to be an overlooked prospective hydrocarbon zone.

The drillpipe was stuck 95m above total depth when the report was written.