



Resources Stocks Down Under

🗨️ *There is no such thing as no risk. There's only this choice of what to risk and when to risk it.* 🗨️

- Nick Murray (b. 1943), Author of 'Simple Wealth, Inevitable Wealth'

TAMBORAN RESOURCES

Beetaloo breakout

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Stocks Down Under rating: ★★☆☆

ASX: TBN
Market cap: A\$133.0M

52-week range: A\$0.21 / A\$0.42
Share price: A\$0.25

How would you like to own a piece of the next North West Shelf or the next Cooper Basin before it becomes well known? Well, get to know the 'Beetaloo Sub-basin'. Tamboran Resources reckons it can turn 31 TCF (trillion cubic feet) of net prospective resources in the Beetaloo into at least 1 TCF of the company's 2P reserve by 2023. The successful Tanumbirini horizontal wells tell you this company is on to something.

Share price chart



Source: Tradingview

If you've ever driven up the Stuart Highway from Port Augusta to Darwin, you passed over a lot of potential gas riches in the Beetaloo. The Beeta What? We're talking about a geological region in the Northern Territory called the Beetaloo Sub-basin, named after a gigantic cattle station 60 km east of the town of Elliott. It's a 'Sub-basin' because it's a distinct 30,000 sq km sedimentary basin within the larger McArthur Basin. Although the first exploration was done in the Beetaloo in the late 1980s, for a long time it was mostly only wide-eyed optimists who thought that you'd find economic gas deposits here. Everyone else thought the Proterozoic-aged rocks might be too old. The Shale Revolution changed all that and by 2014/15 the initial gas discoveries had been made in the Beetaloo by Origin Energy, Santos and Tamboran.

Marcellus Down Under

These days knowledgeable people expect scores of TCFs of gas in the Beetaloo, as well as a lot of liquids, and they liken the key formations to the Marcellus, one of North America's most prolific shales. The CO₂ content of the gas is considered low by shale gas standards. And, importantly, these are shales you can develop, the Territory government having ended a brief moratorium on fracking in April 2018 in favour of new rules designed to reduce the environmental risk. No wonder, then, that part of the Federal government's \$28m 'Strategic Basins Initiative' for a gas-led economic recovery in 2020 was targeted at the Beetaloo.

Tamboran Resources is a key player in the future of this Sub-basin. It has 25% of EP 161 where a discovery has already been made. And it's got 100% of a neighbouring permit called EP 136 where a horizontal well is planned for this year. If all goes well, Tamboran hopes to be booking more than a trillion cubic feet of gas in 2P reserves next year.

Tanumbirini delivers

The 10,500 sq km EP 161 has the makings of a company-maker for Tamboran, covering as it does the core of the Sub-basin. The other 75% is held by Santos, and it was a Santos-operated well called Tanumbirini-1 which in 2014 was the first to suggest that the Beetaloo gas riches were real. Tanumbirini-1 was a deep vertical well, going down close to 4,000 metres and at that time it encountered a lot of gas in a key formation suite called the Velkerri shales. In 2019, under the Territory's new fracking rules, Santos did a vertical frack and flow test in Tanumbirini-1 that allowed it to declare the well a gas discovery.

With good shale gas plays the aim of the game is to find and frack the formation with the best flow rates. With this test Santos found it in the 'B shale' (out of 'A', 'B' and 'C') within the Middle Velkerri formation. The productivity of this shale was confirmed with the first horizontal wells off Tanumbirini-1. The Tanumbirini-2H and Tanumbirini-3H wells, drilled in 2021 and flow tested into 2022, showed initial gas flows of 3.0 and 2.9 mmscfd (millions of standard cubic feet) respectively, normalised for a 1,000-metre lateral section. Off these numbers Tamboran's share of EP 161's 2C contingent resources is now 153 BCF (billion cubic feet). Its share of prospective resources remains a massive 12.3 TCF.

Gas is back and the Beetaloo is back

Next door to EP 161 Tamboran holds 100% of EP 136, which covers another 4,000 sq km or so in the core Beetaloo. Here, Tamboran plans to drill a well called Maverick-1H, which aims to test the Middle Velkerri B shale formation. Tamboran have pulled together a team of US experts who have drilled more than 5,000 unconventional wells in North America with a focus on flow testing the horizontal well later this year. If Maverick-1H is successful, where Tamboran defines success as more than 5 mmscfd over 30-days of initial production testing, and two follow up wells planned for 2023 confirm these results, Tamboran may be in a position to book contingent gas resources of up to 1 TCF within EP 136 by next year. This initial resource is planned to be developed as a pilot production project delivering up to 100 TJ per day of gas into the East Coast gas market, which is expected to be short of gas by the middle of the decade.

Tamboran's mid-2021 IPO raised \$61m at 40 cents per share, but the stock has twice now has plumbed the depths, reaching 23 cents in September 2021 and 21.5 cents in March 2022. The second dip, coming shortly after the decent flow rates from Tanumbirini-2H and Tanumbirini-3H, prompted strong buying interest from the Tamboran Board and senior management. And no wonder, since those wells suggested very strongly that Tamboran had a company maker with its share of EP 161.

The stock is now recovering. One risk we see is the fact that the Australian Greens don't like fracking and they've pick out the Beetaloo as an area of concern. For those comfortable with the risk of anti-gas talk from a minor party, and who like the potential for more favourable new flow, we rate Tamboran four stars.

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