



"The 7 Iron Laws All Rich Traders Obey"TM

Get your FREE Report Now!

ADX Energy



[View the Brochure](#)

Exploring the Med

By ensuring it adds value to all of its projects, ASX-listed exploration firm ADX Energy has been setting high standards in the Strait of Sicily, Eastern Europe and North Africa, while also dealing with the effects of a famous revolution.

Oil and gas exploration and appraisal company ADX Energy Ltd (ASX: ADX) ("ADX Energy") operates five oil and gas permits in North Africa and Europe.

First listed on the ASX as AuDAX Resources in 1987 as a gold and base metal explorer, the firm continued as such until 2005.

"Essentially the company had a gold and base metal management team, but in 2007 under our then new managing director Wolfgang Zimmer, we acquired Alpine Oil and Gas Pty Ltd who held our current Tunisian assets," says chairman Ian Tchacos.

In 2010, the year Tchacos joined the firm as a specialist oil and gas chairman, the company changed its name in tune with its new focus as an oil and gas explorer.

Today, ADX Energy has a wide global presence with offices in Perth, Vienna, and Tunis.

"Even though we're a relatively small company, what probably sets us aside is that we have the capability to operate our assets, and in building our asset base we make sure we get into proven oil and gas basins early," says Tchacos.

The company has two significant growth opportunities in Tunisia, including its onshore Chorbane permit, in which it holds a 40 per cent interest and which yielded a discovery last year with a resource potential of 51 million barrels (mean).

It is expected that upcoming testing will reveal between 30 and 40 per cent recovery at the site, which Tchacos says could be "transformational in terms of cash flow and materiality" for the company.

Offshore in the Sicilian Channel the firm holds a large acreage position with enormous potential for a gas condensate province on Europe's doorstep consisting of three large permits that straddle the border between Tunisia and Italy. These include the Dougga gas condensate discovery, which is 60 per cent owned by ADX Energy. An independent audit found that this site alone contains a mean resource of approximately 240 billion cubic feet of sales and 40 million barrels of liquids, which could generate more than US\$6 billion in sales revenue from the field.

ADX Energy is planning to undertake appraisal and exploration drilling to confirm the commerciality of a development at Dougga, as well as its nearby discoveries at Kerkouane and Lambouka sites in the Sicilian Channel.

"With 60 per cent ownership we plan to farm down to about 30 per cent and get a number of wells drilled that will demonstrate the commercial viability of these strategic assets," says Tchacos.

Adding value

ADX Energy aims to add value to all of its projects through its technical skills, as well as by enabling the commercialisation of existing discoveries.

The company funds its drilling activity via farmouts and through its retention of large interests in material prospects that have the potential to deliver exceptional shareholder returns.

Most of the exploration work performed by the company is done in joint venture partnerships, which helps spread the risk, but also enables access to a broader range of ideas.

The company also aims to work openly with its investors and build their confidence by achieving stated operational and corporate goals.

"It has been challenging with the financial crisis as investors tend to have fairly short-term investment horizons, while the Jasmine uprising in Tunisia has also set us back," says Tchacos.

"Fortunately confidence is returning in Tunisia after free elections and I think Tunisia will become a shining example to the rest of the region."

The firm's Sicilian Channel acreage consists of three different permits, two in Italy and one in Tunisia, which has exploration potential in excess of 1 billion barrels based on exploration to date.

"This is an area that was last actively explored in the 1980's by Shell, but now we have Shell, Repsol and ENI picking up acreage all around us, so we see this area as having real potential for a renaissance in exploration," notes Tchacos.

In 2010 ADX Energy picked up a large block in the Panonian basin in Romania.

"We've been undertaking some reconnaissance work in Romania, preparing ourselves for both 2D and 3D seismic acquisition, and we expect that over the next two or three years we'll be drilling up to three wells," says Tchacos.

"It's in a confirmed oil and gas basin and we see excellent potential for some relatively low-cost, high-reward hydrocarbons, which should be pretty shallow and easy to access."

"We see further opportunities in the Mediterranean, Eastern Europe and possibly Eurasia where there are proven hydrocarbons, potentially material resources and good access to markets," he adds.

"We are well positioned with experienced people in Vienna that have worked in many of these areas, understand the geology and have experience working across different jurisdictions."

After the revolution

Tunisia's Jasmine Revolution would have major political, economic and social implications for the rest of the Arab world, but on a somewhat lower scale investment from foreign companies would also be affected; this was certainly the case for ADX Energy.

"The beginning of last year was difficult for us; not so much because we felt that we were at risk, but because the replacement of president Ben Ali created a power vacuum," says Tchacos.

"In Tunisia we were ready to drill a well in December 2010, but we didn't actually get to mobilise our rig until August of last year, due to concerns about our ability to mobilise a rig in populated areas where the police didn't have a strong control over the population.

"Another reason for the delays was related to the Libyan situation as we found that a lot of our contractors in Tunisia had equipment tied up in Libya.

"When you look at both the offshore and potential onshore developments, these sorts of developments are absolutely critical in country building," Tchacos remarks.

The company has been able to work closely with the Tunisian authorities who deferred ADX Energy's work programme commitments having recognised that the political situation had caused severe delays to its operation.

"We were able to keep our licenses in good standing, because it was recognised that some of these delays were brought upon us and were not of our own doing," notes Tchacos.

A busy year

ADX Energy is looking forward to what is likely to be a busy 2012. Tchacos says that next month the company is likely to begin testing an onshore discovery it made late last year, which could lead to a mean in place resource of close to 51 million barrels based on the company's estimates.

"If testing shows that we can recover 30 to 40 per cent of that then that's going to be transformational in terms of both cash flow and materiality," says Tchacos.

"Parallel to that we hope to start progressing with seismic studies in Romania and we hope to also be in a position where we can start farming out our offshore acreage."

Tchacos says that over the course of the next five years he would like to see the company develop a diversified production base, both from its onshore Tunisian discovery and from its developments in the Sicilian Channel.

Tchacos says that moving forward the company will continue to look for early entry opportunities into new exploration areas, where it could add value from its technical and commercial experience with a much larger balance sheet behind it.

ADX Energy has found itself in a healthy position, and with its sites and offices spread across the Mediterranean and Europe, the company's plans to start the commercialising process at some of its projects will no doubt lead to its growth into a strong, growth-orientated mid-cap company.

www.adxenergy.com.au