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Wednesday, 4 May 2011

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THE BIG PICTURE:

Innamincka on journey to growth

Wednesday, 4 May 2011
Marija Stojkovic

SIX months after terminating its merger with Drillsearch Energy, Innamincka Petroleum is getting back to business with plans to become a top 10 Australian energy company by 2015.

The company recently transformed and strengthened its board with the appointment of a number of former Arrow Energy executives.

It is aiming to leverage on its newly appointed board to achieve value growth and meet its 2015 target of generating \$75 million cash annually.

Speaking to *EnergyNewsPremium*, newly appointed chief executive officer Clint Adams said the company would concentrate on the Cooper Basin where it believes it has a competitive advantage as it works to ramp up production and search for new growth opportunities.

Former Arrow Energy chief commercial officer Adams took up the top role in March, joining former Arrow managing director and now Innamincka chairman Nick Davies.

Other ex-Arrow executives to join the board include former chief executive officer Shaun Scott and former project manager Darren Rogers.

Innamincka also appointed former Ascent Resources finance director Simon Cunningham and Republic Investment co-founder Anwar Awan.

Other members of the board include Anzon Energy founder Steven Koroknay, Innamincka co-founder Adam Johnson, and former ExxonMobil executive David McEvoy.

"We're well experienced ... and I think we have all the ingredients of being able to do a pretty decent job in Innamincka," Adams said.

During the next 18 months, Innamincka will initially focus on rejuvenating production from the Flax/Juniper tight oil asset with a goal to substantially increase production by the end of 2012.

The Flax field was discovered by the Flax-1 well in 2004 and to date eight Flax wells have been drilled and fracture stimulated.

The field has produced 150,000 barrels of oil from six wells since production began in 2008, but has encountered problems due to the tight reservoirs.

However, Innamincka firmly believes new tight reservoir techniques could yield significant production increases.

"When we look at it ... it's a little bit like where we've come out from coal seam gas," Adams said.

"You know the hydrocarbons are in place, it's just what's the right completion methodology for you to recover that resource economically?"

"Can we ... take a closer look at that resource and maybe look at it with different completion methodologies and I guess crack the code for unlocking that resource?"

"If we can then it's a pretty decent sized resource and for the scale where Innamincka is, it will certainly translate to a very decent production number."

The Flax field is estimated to contain 11 million barrels of oil in place, while Juniper is estimated to hold 30MMbbl of oil in place.



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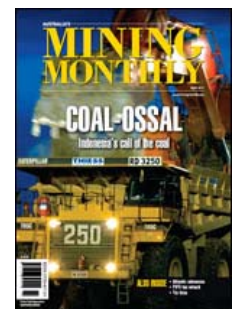
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The Flax East-1 sidetrack drilled in 2007 confirmed the presence of oil between Flax and Juniper and suggested the two fields were connected; however this is yet to be confirmed.

If the fields are connected, Innamincka is likely sitting on 171MMbbl of oil in place, while if there is no connection between the two fields, the company would have a combined contingent resource of 43MMbbl.

Adams said the company would shoot 3D seismic over the two structures in mid-2011 to identify reservoir sweet spots and has commissioned a detailed study of the reserves and well completions.

Depending on the 3D seismic and study outcome, a redevelopment of the field may be initiated with drilling expected to start next year.

"There's an existing 1000 barrel per day facility out there so to the extent it does work, you're in this unique situation where you can put any production straight online."

Adams added if the company achieved 1000bpd of production it would be an "outstanding" outcome and boost the company's bottom line.

"If you do your math, everything is a fixed cost there now, to the extent you can put more through – 300,400 or 500 barrels per day – that is straight to the bottom line.

"So you would pay off the cost of that well in a very short period of time even if it's a more expensive horizontal multi-stage frac. You have the luxury of being able to straight away put it onto production."

Along with Flax, Innamincka will work to mature prospective leads in PEL 103 and PRL 17 and 18 to drillable status.

The company will also work with the PEL 182 joint venture partners to formulate a forward program to identify exploration targets on the western margin of the Cooper Basin.

Adams told *ENP* the company would also investigate whether its tenements have shale gas resources while also searching for new assets to grow its portfolio.

He added that the company's strategy going forward would be to dispose of its interest in T18/P of the Bass Basin, a non-core asset.

Innamincka holds a 5% interest in the Origin Energy-operated block with Adams saying he would like to see it sold this year if the right value proposition could be achieved.

"If we can get the right value proposition, we can deploy that capital I think into better prospects."



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