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## OilVoice Interviews Brad Lingo from Drillsearch

# OilVoice<sup>®</sup>

Thursday, August 25, 2011

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- The company currently has four new oil discoveries and ten wet gas discoveries under appraisal and development

Drillsearch Energy Limited (ASX:DLS) is an Australian based company which is exclusively focussed in the Cooper Basin where the company holds 15 exploration tenements covering over 23,000 sq km. The company currently has four new oil discoveries and ten wet gas discoveries under appraisal and development.

In an exclusive interview, Drillsearch managing director Mr. Brad Lingo takes on the OilVoice Nine to discuss his company, its challenges in the current milieu, their strategies and his personal thoughts on 'Peak Oil.'

### What one line would best describe your company to investors?

Drillsearch is a leading mid-tier exploration company in the Cooper Basin in Central Australia, with substantial exposure to oil, conventional gas, and unconventional resources.

### Could you elaborate on Drillsearch's presence in Cooper Basin

We have a very large conventional and unconventional footprint in the Cooper Basin. In the Central and Western Cooper, Drillsearch has 2 large unconventional resource projects. In the Central Cooper, we have just announced a strategic joint venture with BG group to explore Nappamerri Trough Shale Gas Fairway, in an exploration permit that covers approximately 2,500 sq km or 660,000 acres. We see about 2,000km<sup>2</sup> (500,000 acres) extremely prospective for significant shale gas resources. The operators in the adjacent permit to us have already booked contingent resources of 2 TCF of shale gas resources. One of the areas where they have booked 1 TCF of contingent resources is immediately adjacent to our permit and at a very close proximity to where we'll commence our initial exploration, so that has further deepened our conviction and focus in the area.

### Beach Energy attempted an acquisition of Drillsearch few times, how did the company manage to defend its position?

I think many of Drillsearch shareholders always looked at the company as bit of a 'diamond in the rough' and what we did as the new management is to come up with a focussed strategy, focussed message and a very focussed plan of delivery. We concentrated on our substantial position in the western flank oil fairway of the Cooper basin, on the existing wet gas discoveries the company already held, and that are yet to be developed, and on the large unconventional footprint. Also, we had to communicate and show our existing shareholders and new institutional shareholders that the company held one of the most material positions in the Cooper Basin and that the company had the right plan, right message and the right team to be able to deliver value out of those assets. We were extremely transparent in our dealings and shared everything on how we would use our financial and human capital to deliver value for our shareholders.

### What are the big challenges for the company in the next 12 months?

One of the big challenges is managing the transition from being primarily an explorer to being a project developer and producer. Our objective for this year is staying very focused on increasing reserves, increasing production and increasing cash flow and successfully seeing through significant increase in exploration, development and production activities.

### What big changes do you see today in the industry?

I have been in the oil and gas industry for over 25 years, and the main changes I have seen is that the human capital necessary to drive the industry has significantly declined. In terms of people working in the industry, we all know it is a shrinking industry but it is called upon to deliver more and more energy to the world. There is a lot of volatility in the industry, volatility in the commodity prices, a lot of volatility in the access to the capital. These have created significant challenges that led to the industry not being able to attract enough new blood over a number of years to make sure we have all the people, geologists, engineers, all the commercial people that are needed to help the industry deliver the energy the world needs.

**What are your thoughts on the theory of 'peak oil'?**

What I would say is that large accumulations of oil are getting harder and harder to find. They are in more remote locations, more challenging areas. That is also requiring more sophisticated technologies and more and more intellectual power to be invested in being able to identify where those resources are. When discoveries are made, these challenges only get bigger. It becomes a question of how to ultimately get these resources to market to feed the world's energy demand. So the peak is really a combination of one, making those new large discoveries (is more difficult), requiring more investment, more technology, more human intellectual capacity to find that oil, and two, rise in prices as a consequence. If it takes more capital, more people, more time, to produce the hydrocarbons the world needs then the ultimate impact of the peak will be higher prices in order to maintain the balance between supply and demand. Prices will have to go up to attract the financial capital, attract the technology investment and the people to define, develop and deliver the energy needs

**Which new discovery hot-spot do you think has the most potential today?**

I would say Cooper Basin has great potential. It has been identified by the US Department of Energy, Energy Information Administration as one of the the most prospective places for developing new shale gas resources out side North America. The EIA Report released in April this year indicating that in Cooper Basin there is risked recoverable shale gas resources are about 85 tcf..

**Current limitations aside, describe a dream piece of equipment or software that would revolutionise the industry**

Dream technology would be a new form of 'Super' 3D seismic that not only gives us clues where the hydrocarbons are but which will also give us an even better level of indication of the presence of hydrocarbons in recoverable amounts in a particular target zone. 3D seismic has already paid huge dividends for exploration in the Cooper Basin with the ten year average on exploration drilling reaching a 50% success rate. Some new form of 'Super' 3D seismic would increase our chances of further finding hydrocarbons, identifying exactly where they are, so that we can hand over the information to engineers to apply their own technologies, such as horizontal drilling and multi-stage fracking to bring the hydrocarbons to the surface.

**What is the next big move for the company?**

The next big step for the company this year would be applying significant amount of focus on increasing our reserves, increasing our production and increasing our cash flows from our conventional oil and gas projects to ultimately give us the financial capacity to start converting our unconventional exploration resources first into contingent resources and then ultimately commercial reserves.

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