



Eco (Atlantic) Oil & Gas Ltd

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Eco (Atlantic) Oil & Gas keeps on executing, with many catalysts on the horizon

Eco (Atlantic) Oil & Gas (CVE:EOG) is an emerging oil and gas company focused in Africa, but unlike many explorers bogged down by unfamiliar, drawn-out government processes and conflict on the continent, Eco's goal is to go after areas that are technically proven and geopolitically friendly with respect to foreign investment.

Starting out as a pure exploration play focused in Namibia which is considered a stable region with low political risk --- the company decided to diversify and look further afield to play it even safer, but at the same time continue to be "very selective" in terms of jurisdiction.

"Namibia is one of the least risky places, in a geopolitical sense, to do business in Africa," says Alan Friedman, co-founder and executive VP, "and we didn't want to detract from this."

So in came Ghana as the company's next area of choice, which is West Africa's second largest economy and one of the continent's top five oil producing countries. This is on the back of Ghana's Jubilee oil field, which currently produces in excess of 100,000 barrels of oil per day.

In July, the company received parliamentary ratification from the Republic of Ghana to acquire a 50.51 percent working interest in the Deepwater Cape Three Points West Block, which is just 15 km southeast of Tullow Oil's Jubilee production. Its partners will include A-Z Petroleum Products Ltd with a 32.14 percent working interest, the Ghana National Petroleum Company with a 13 percent working interest and GNPC Exploration with a 4.35 percent working interest.

The 944 sq km block, which is surrounded by 20 discoveries including Jubilee, holds a strong 2D and 3D seismic data set, comprised of 2,378 line km of 3D seismic acquired by Hess and Eni and 1,687 km of 2D seismic, all ready to be reinterpreted.

Ghana is not the company's first successful deal in Africa, as it also owns and operates four licenses in Namibia, three of which have more than 21.5 billion barrels of prospective resources and have attracted the likes of Tullow Oil, large Bermuda fund Azinam and the state-owned Namibian oil and gas company as partners.

"We looked at mitigating risk by going into other countries. There are not many available licenses in Ghana, if any, and we were able to secure this license, which shows management's ability to execute," says Friedman.

The co-founder highlighted management's experience, noting that the company's team members have a proven track record in Africa in the resource market. Friedman himself is the co-founder of Namibia-focused Auryx Gold, which was sold to B2Gold for over \$150 million in 2011. Eco's chief executive, Gil Holzman, is also the CEO of GP Minerals, a resource investment and development company and chief operating officer Colin Kinley has managed onshore and offshore drilling campaigns of numerous companies on several continents.

"We managed to get into the regions by doing deals directly with the government, without paying any major signing bonuses, in a cost-effective way."

Price: C\$0.245

Market Cap: C\$16.895M

1 Year Share Price Graph



Share Information

Code: EOG

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: www.ecooilandgas.com

Company Synopsis:

Eco (Atlantic) Oil & Gas Ltd. ("Eco Atlantic") is an oil and gas exploration company focused on the identification, acquisition and development of prospective oil and gas exploration projects in politically stable and de-risked jurisdictions in Africa. Eco has significant local presence, strong government relationships, and important contacts in the jurisdiction in which they operate.

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"In this environment, in order to fund these deals, you have to acquire quality projects and then attract majors to participate with their financial and technical wherewithal. We have proven that we can do both," he says.

In Namibia, the company holds three offshore licenses covering over 28,500 square km in the Walvis Basin, and one additional 5,600 square km license extending onshore to include the exploration of shale gas and coal bed methane. Though there have been no major commercial discoveries yet in Namibia, operators are aplenty with Murphy Oil, Shell, Tullow, Repsol and BP just a few of these names.

Its Cooper block, where Tullow Oil holds a 25 percent working interest, has 4.5 billion barrels of prospective oil, with a 3D seismic program to begin there later this year. In exchange for Tullow's interest, Tullow, combined with Azinam, carry the full cost of an expanded 1,000 square km 3D seismic program, and for an additional 15 percent stake, Tullow would carry Eco's drilling costs as well. At this time, Tullow would also become operator of the block.

Tullow, which has exploration acreage in South America, the North Atlantic and West and East Africa, has added an average of 200 million barrels of oil equivalent to its resource over the past seven years, and holds claims to more than 100,000 bopd of potential net production in West Africa, post 2016. The oil major is planning to drill over 200 wells in the next three years, so its participation in Eco's venture can be seen as validation, and an indication of positive things to come.

It also puts the company in a better negotiating position with regards to potential farm-ins on its other two blocks in the Walvis Basin. In a recent research note on Eco by M Partners, analyst David Buma reiterated his buy rating on the company and increased its one year price target by 10 cents to \$1.60 following news of the Tullow farm-in deal in July (the company's second farm-in deal on Cooper, as Azinam already holds a 20 percent working interest).

"We recommend Eco (Atlantic) shares for investors with a longer-term horizon, highlighting the company's significant offshore acreage in the oil-prone Walvis Basin, the 14.0B bbl (net) 51-101-based unrisks prospective resource, strong partnerships, and with its 70% working interest/operatorship still at both Guy and Sharon, ample capacity to negotiate a farm-in agreement with additional partners," Buma wrote in the note published July 18.

Indeed, since the time the M Partners report was written, Eco has farmed out an additional 10 percent working interest to Bermuda-backed Azinam on its Guy block, with Azinam agreeing to carry 51 percent of the 3D seismic cost on 1,000 square km while holding 30 percent of the interest. Eco now has a 60 percent working interest in the Guy license.

The Walvis Basin is a proven light-grade oil petroleum system, with two different high quality source rocks found in an oil-generating window by major HRT. Eco's three blocks in the basin Cooper, Sharon and Guy surround both HRT and Tullow targets to the east, west and north.

Drilling on the first exploration well at Cooper is targeted for next year, with the company believing there are five significant resource leads within the Upper Cretaceous sands. The source rock at the license is approximately 3,000 metres deep, providing a "peak oil generation window", says Eco.

For the remainder of the year, the junior oil and gas play will be focused on carrying out a fully paid-for 3D seismic program on Cooper, as well as acquire and interpret seismic on its Ghana license from the country's government.

While busy with all the exploration work, Eco will continue to assess other jurisdictions in Africa that meet the criteria of a "technically proven basin and a relatively safe jurisdiction."

The company, which has \$3.5 million of cash on its balance sheet, has a strong presence in Namibia, no doubt benefiting from management's extensive and varied experience in Africa.

Aside from its corporate office in Windhoek, Namibia, it sees its listing on the Namibian Stock Exchange as a platform for direct investment into the company through locals, while also assisting in raising its profile in the region and expanding its local business relationships. It is the first and only oil and gas-focused entity listed on the Namibian exchange, and also counts Helmut Angula, who served previously as deputy minister of mines and energy in Namibia, as a non-executive director.

Shares of Eco have a fairly tight 52-week trading range of 19 to 30 cents, with a market cap of nearly \$17 million,



closing Monday at 24.5 cents.

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