

Central Petroleum Limited: Quarterly Activities Report ended 31 March 2017

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Brisbane - [Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) is pleased to provide the Company's Quarterly Activities Report for the quarter ended 31 March 2017.

HIGHLIGHTS

- On 10 March 2017, the Board of Directors of Central announced it has unanimously recommended an improved proposal from Macquarie MPVD Pty Limited ("Macquarie MPVD"), a subsidiary of Macquarie Group, to acquire 100% of the issued capital of Central by way of a Scheme of Arrangement in accordance with the Central Scheme Deed released to the market. The revised proposal is to offer for each Central share a cash consideration of 20 cents plus a Contingent Value Note ("CVN"), the value of which will be determined by the success of exploration in certain defined assets.
- Total GLNG Australia, Central's joint venture partner in the Southern Georgina Basin, advised that following a review of its onshore exploration programme it elected not to proceed with the Stage 2 Farmin into Central's Queensland permits. As a result, Central retains 100% interest in the acreage.
- Effective 1 January 2017 Macquarie Mereenie Pty Ltd, a subsidiary of Macquarie, acquired 50% of the Mereenie Oil and Gas Field and became a joint venture partner with Central. Central remains Operator.
- Testing of the Stairway Sandstone at Mereenie from the previously drilled West Mereenie 15 continues free flowing gas at sustainable rates with a low nitrogen content of 2.6%. Additional recompletion opportunities have been identified.
- Central provided a submission to, and Richard Cotttee testified before, The Justice Pepper, "Scientific Inquiry into Hydraulic Fracturing in the Northern Territory". <http://www.abnnewswire.net/lnk/F4W95C70>
- Cash balance at the end of the quarter was \$7.8 million.

MANAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

This quarter was an eventful one for the Company with the winds of change blowing. Following an extended negotiation, Macquarie proposed an improved cash offer to Central Shareholders and Conditional Value Notes (CVN) which provided a mechanism to reward shareholders subject to the success of our exploration programme. The Board has unanimously recommended the Macquarie Scheme of Arrangement ("SoA") with the Scheme Booklet expected to receive all regulatory approvals by the end of this month. The Scheme Booklet (including the Independent Expert's Report) is planned to be circulated next week enabling shareholders the choice of accepting or rejecting the SoA at the Scheme meeting to be held in early June 2017.

From 1 January 2017 Macquarie acquired Santos' 50% interest in Mereenie for \$52 million in a contested bid. All conditions precedents have now been satisfied.

As a result of the drop in oil prices since 2014, Total elected not to proceed with Stage 2 of the SGJV which means that the acreage reverts 100% to Central; Central is relieved of a contractual \$2 million that was to be spent; but had to refund \$550,000 being Total's share of the bonds lodged with respect to the relevant ATPs.

The Company has made an oral submission to the NT's Scientific Inquiry into Hydraulic Fracking (sic) of unconventional shale gas at a hearing in Alice Springs on 6 April 2017. It will be lodging its written submissions by the end of this month.

After the adoption by COAG on 14 December last year, an Implementation Options Paper was circulated by the Gas Market Reform Group ("GMRG") for industry feedback and comment. Notwithstanding "the urgent need for new gas supplies and gas suppliers", the Options Paper proposed excluding the Northern Territory from becoming a potential new supply of gas for the east coast market. It also proposed excluding the region surrounding Mt Isa from being such a source. The proposal specifically excludes "Scheme Pipelines", which are pipelines covered by the current regulations (either light or full regulation) even though it is precisely this

existing regulation that limits competitive pricing. The Mt Isa to Ballera pipeline ("Carpentaria Gas Pipeline" or "CGP") is covered under light regulation and the Alice Springs to Darwin pipeline (the "Amadeus Gas Pipeline" or "AGP") is covered under full regulation. The Carpentaria Gas Pipeline commenced operations in 1999 (and will be nearly 20 years old when the Northern Gas Pipeline (the "NGP") is commissioned) and the Amadeus Gas Pipeline commenced operations in 1987 (some 30 years ago). The current tariffs for backhaul from Alice Springs to Moomba on the existing pipelines (excluding the NGP) - the relevant hub to address the domestic (as opposed to export) gas shortage - is roughly equivalent to the proposed tariff for a new Alice Springs to Moomba pipeline option as quoted to Central during the COAG Energy Council endorsed NEGI (North East Gas Interconnect) tender. The Company has responded with its submission dated 13 April 2017.

As a result of the GMRG's decision to preserve the barriers to entry for appropriately priced gas from Northern Australia to the "city" gates, the Company has shifted its strong focus from helping with the Australian natural gas shortage to concentrating on the local Northern Territory markets. The company was pleased to announce success in this shift in focus with the signing of a Gas Sales Agreement with EDL for the sales of 9.85 PJ in the Northern Territory. If and when the GMRG shifts its focus from the defence of its historical position (which in our view exacerbated the shortfall by muting the economic signals for new gas) towards in part tying to ensure appropriately priced gas to Australian industry at the city gate, the Company will respond accordingly.

The company's cash condition remains stable notwithstanding the unbudgeted imposts of the Macquarie SoA, high oil inventories at Pt Bonython and continuing chronically low offtake of gas from Dingo possibly caused by the upgrade continuing at the Owens Springs Power Station. The Company finished the quarter with a cash balance of \$7.8 million. Since the beginning of the fiscal year the company has paid \$3.3 million to Santos on its final payment for Mereenie, \$553,000 to Total on its exit (replacing Total's bond on the As to P) and \$3 million in debt reduction.

The company is attempting to increase its revenue through extra gas sales in the NT as well as exploring the option of storing 3rd party gas in our fields pending the NGP becoming operational.

To view the full report, please visit:
<http://abnnewswire.net/lnk/9S079H0Y>

About Central Petroleum Limited:

[Central Petroleum Ltd.](#) (ASX:CTP) (OTCMKTS:CPTLF) is an oil and gas explorer and producer listed on the Australian Securities Exchange focused on supplying the domestic gas market. Central is advancing several separate projects across what is regarded as the biggest package of proven and prospective oil and gas acreage across central Australia. This spread of assets gives Central multiple options for growth and development. 88% of this land being gas prone has led to the Company's focus on becoming a major domestic gas producer.

Contact:

[Central Petroleum Ltd.](#)
T: +61-7-3181-3800
E: info@centralpetroleum.com.au
www.centralpetroleum.com.au

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