

Cue Energy

Oil & gas
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Smooth action

Cue Energy is ASX-listed and has oil & gas exploration and production assets in South-East Asia, Australia and New Zealand. Following a recent bid attempt, New Zealand Oil & Gas holds a 48.11% interest in Cue. At the end of June, Cue had A\$27.55m in cash and production for the quarter was c 2,000boe/d net with revenues for the quarter at A\$11.67m and opex of A\$3.51m. Expenditure over the current quarter is estimated at A\$15.4m.

Australasian engine

The company's Australian activity is focused on the Carnarvon Basin, with a mix of operated and non-operated opportunities on early-stage exploration assets. Cue has initiated a farm-down of WA-359-P and WA-409-P on a significant gas prospect identified in the Mungaroo formation. In New Zealand, Cue holds exploration interests onshore and offshore Taranaki; the onshore PEP51149 permit, operated by Todd Energy, in which Cue holds a 20% WI, is expected to see the drilling of Te Kiri North-1 in Q415, targeting Miocene oil and deeper Eocene gas objectives. Cue's 5% interest in the OMV-operated Maari and Manaia Fields generated 60,732bbl in the last quarter (c 641bopd net). Following the recent drilling of MR10, which went on-stream in July, the last of four development wells drilled over the last 15 months, gross production was up to 16,350bopd. Production is expected to rise from August when a multi-well workover begins.

Indonesian growth

Production is expected to increase when a workover programme on Sampan PSC in Indonesia concludes in August. Exploration activity in Indonesia is focused on the Mahakam Hilir PSC, where drilling of the Naga Selatan-2 well is planned for Q415, as well as two wells in the Mahato PSC in late 2015/early 2016. As something of a departure from its historic stomping ground, Cue secured operatorship and 80% working interest in the Pine Mills Woodbine field in the East Texas Basin, US, which is currently producing 80bopd.

Strong base

Over half the share price is underpinned by cash and an incremental increase in production should see production cash flow go a long way to covering capital expenditure. Cue is well positioned to endure weaker commodity pricing and with a number of short-term catalysts, investors could see stock price improvement.

Price **A\$0.074**
Market cap **A\$52m**

US\$0.73/A\$

Share price graph



Share details

Code	CUE
Listing	ASX
Shares in issue	698.1m

Business description

Cue Energy Resources is an oil & gas exploration and production company with a regional focus on South-East Asia and Australasia. It currently has petroleum assets in Indonesia, New Zealand and Australia.

Bull

- Strong shareholder base.
- Production growth potential.
- Drill bit newsflow.

Bear

- Continued price weakness.
- Potential issue in finding farm-in partners.
- At whim of operators in key production projects.

Analysts

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Historical financials

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/13	49.8	8.4	0.9	N/A	8.2	N/A
06/14	34.0	0.1	(0.3)	N/A	N/A	N/A

Source: Bloomberg consensus, company reports

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