New-look Lion eyes depth in Indonesia

EXCLUSIVE

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PERTH-BASED Lion Energy is close to resuming trading on the ASX after a restructuring and recapitalisation that reposition the junior oil producer at the forefront of Indonesia's push to develop an unconventional shale oil and gas industry.

The push by Indonesia comes as the world's fourth most populated nation struggles to keep up with internal demand for oil and gas from conventional sources, now in the 125th year of production.

As in Australia and other parts of the world with identified shale oil and gas potential, the rush is on to capture at least part of the production surge under way in the US, where the application of horizontal drilling techniques and hydraulic fracturing of shale has revolutionised the energy outlook.

In light of its rising energy needs, and a growing supply gap because of depleting conventional sources and rising demand in the high-growth economy, Indonesia has actively set out to encourage production from unconventional sources — shale oil/gas, tight gas in conventional reservoirs and coalbed methane gas (CBM).

Regulatory provision for the promotion of shale oil/gas came in January 2012 with legislation governing procedures for the award of unconventional oil/gas "study applications". CBM production has been actively encouraged since 2006.

It is against this backdrop that Lion has set out to become a pioneer in Indonesia's unconventional push.

Lion is not a newcomer to the Indonesian oil and gas scene thanks to its 2.5 per cent interest in a small oilfield on Seram Island, 300km east of Ambon. That stays in the new-look Lion but the near-term focus is very much on capturing the value increase that a first-mover advantage in Indonesia's unconventional potential might deliver.

The new-look Lion has a new management team, two new strategic investors, a consolidated issued capital base of 95.1 million shares and four unconventional study applications covering more than 17,000sq km of prospective ground in Sumatra.

The complicated reworking of Lion essentially involved its merger with three other companies in a process which shareholders approved in December and involved Lion raising $9.5 million from the two new strategic investors — Risco Energy and Tower Energy — and Lion shareholders.

At the 20c a share raising price, Lion will have a market capitalisation of close to $20m when it relists, subject to final clearance from the ASX. Risco is the single biggest contributor, kicking in $7.12m. The privately held group is an energy sector investor in Indonesia and has notched success in the past.

Tower is also privately held and kicked in $1.87m.

It was founded in 2012 by Sammy Hamzah specifically to invest in early stage unconventional oil/gas opportunities.