



WGO: West Erregulla 4 well result

Sentiment Indicator : neutral

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Warrego Energy Ltd | WGO AU | Outperform, Spec Risk | Current price A\$0.24 | Price Target A\$0.35

Encouraging WE-4 drilling update

West Erregulla-4 preliminary well result

The West Erregulla-4 (WGO 50%, STX 50%) field appraisal well in the onshore Perth Basin has reached TD at 5,069m with initial wireline logging indicating the Kingia reservoir formation has been encountered 19m high to prognosis, with gas observed throughout the entire 155m reservoir section.

The Kingia section is interpreted to have 28m of net pay, with clean blocky porosity development in several units with an average porosity of 11%, including bands with up to 19% porosity.

Reservoir pressure in the Kingia of 6,821 psia appears to be on a similar gradient to the West Erregulla-2 well. This implies reservoir connectivity between the two wells, which we view as supportive towards the future booking of reserves and field development.

No gas-water contact has been observed in the West Erregulla-4 well, confirming a further 61m of gas charged section in this down-dip well located less than 2km from the West Erregulla-2 discovery well.

Flow testing of the Kingia reservoir section is expected to be undertaken after completing further evaluation (fluid samples and pressure tests) and casing the well. We expect the flow testing to deliver a good result.

This well is to be completed as a future producer for the Phase 1 80 Tj/d West Erregulla field development, underpinned by the 155 PJ long term Alcoa gas supply agreement.

RBC Fundamental View

Warrego provides a leveraged, early-stage investment opportunity into the emerging onshore Perth Basin deep gas play. We see strong resource upside at West Erregulla with the Alcoa gas sales contract to underwrite future field development. Gas-processing agreement with AGIG facilitates mid-stream development. We believe Warrego is undervalued on a DCF basis, resource potential, and relative to its joint venture partner. We rate Warrego Outperform, Speculative Risk.

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