

# Frontera Resources Corporation

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## Frontera Resources confident it now has answer to Georgia puzzle

Oil exploration is all about drilling in the right place but sometimes even that is not enough.

Geological data may show a stack of oil in a particular spot, but its recovery can be a different matter altogether.

AIM-listed Frontera Resources Corporation (LON:FRR) has spent the best part of ten years trying to get its onshore fields in the Republic of Georgia into production, much to the frustration of its legion of small investors.

The company is now back in London seeking to raise more capital, but this time it believes it has the answer to unlocking its huge gas and oil deposits.

### Assets in place

No one doubts the size of the opportunity.

An independently verified 12tcf of gas and 788mln barrels of oil sit in the Taribani section on Frontera's Block 12 licence in Georgia.

But a market value of £12mln currently suggests the market doubts whether these will ever see the light of day, at least under Frontera's stewardship.

Zaza Mamulaishvili, recently promoted to chief executive, understands the frustration.

"You have it there why can't you produce?" is a question often asked.

To which he replies: "We needed time to find best possible way to produce these assets."

### Process refining

The past ten years has been a constant refining and learning process, he says, something that has enabled Frontera to optimise the way to extract the oil (and gas) from the rocks at Taribani.

All of the problem areas have been dealt with, adds Mamulaishvili.

Newly developed US fracking techniques imported from its home base of Texas have been a major part of this, along with ongoing technical refinements.

Underlining the progress, the time it takes to drill a well has been reduced to 35 days from over a year when the area was first drilled in the Soviet era.

Sediment, an issue in the early days, was solved with good cementing techniques, while new 2D and 3D seismic have hugely improved its knowledge of the geology of the area.

### Share Information

**Code:** FRR

**Listing:** AIM

**Sector:** Energy

**Website:** [www.fronteraresources.com](http://www.fronteraresources.com)

### Company Synopsis:

*Frontera Resources, along with its subsidiaries, is engaged in the development of oil and gas projects. The Company has focused its activities on the onshore Kura Basin situated between the Caspian Sea and the Black Sea in the nations of Azerbaijan and Georgia.*

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## Stack and Frack

But it is the adoption of US methods such as 'stack and frack' that seems set to boost production substantially going forward.

Instead of just one perforation per well, this process sees multiple perforations (between 4-6) at different depths and much higher production as a result.

Of course, much also depends of the rate of decline of the well, but production from the Eldradi A formation (that runs through the Taribani section) has been steady the company says, with one well running for nine years.

Mamulaishvili says the techniques being adopted effectively mean a fresh start for the company. The techniques seem so obvious he can't understand why they didn't spot them five years ago.

## Ambitious plans

Shareholders might share those sentiments, but the development plan is now in place for Taribani and is ambitious - a ten-year, 250 well programme designed eventually to produce 100mIn barrels of oil.

Each hole will cost an average of between US\$3-US\$3.5mIn and the funds being sought now are for the first three: One new development well; one sidetrack and a deepening well.

Any oil produced currently on test is being moved by rail, but Frontera has been granted access to the pipelines that run through its licence from the huge oilfields in the Caspian Sea.

Prices for oil are set at port and based on its quality relative to Brent crude while Georgia takes any gas produced at a price of US\$6.50 per cubic metre.

The gas at Taribani lies underneath the oil and the plan is to go deeper to tap in to that once oil production is in full swing.

The company has early stage assets in the Ukraine and Moldova, but Georgia is the current focus.

## Balance sheet tidying

Frontera has also made a major effort to tidy up its finances.

Mamulaishvili has done his part. Along with former chief executive Steve Nicandros, he converted US\$26mIn of debt into shares at 1p in April. The shares trade at 0.13p currently.

The swap helped reduced the company's borrowing to just over US\$30mIn.

Now it is looking at debt, convertible or yes, even more equity to give it the firepower to start work at Taribani.

"All funding options are under consideration".

Liquidity should not be a problem, four-fifths of the company's shares are held by retail investors with almost 70% of those in the UK.

## Time for payback

Mamulaishvili admits it has been hard work over the past ten years but now it has come to the point where it has "acreage of 80sq km with oil bearing thickness of 800m that responds fantastically to stimulation."

"Now is the right time and right place for Frontera."

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