



PROSPECT CENTRE

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28 DEALS INSIDE

Cobalt pays \$211 MM for 51 blocks in MMS Lease Sale

Same game, same park, new name as the well-heeled independent chases big dreams and bill pools in the deep water

A casual glance at the list of big spenders at this year's Central Gulf Lease Sale yields a number of the usual suspects – **BP, Chevron, Shell** and **Marathon** to name a few. But a closer look at the top five bidders in dollars spent and bids won reveals a name not so famous in stature but certainly in color – **Cobalt**.

QuickLook

1. Cobalt jumps in; swimming with the big boys
2. Drops \$211 MM at recent Central Gulf Lease Sale
3. Originally funded with \$1.0 billion in 2005 with 35 employees
4. Wins bids on 51 blocks including many in >5,000 ft. of water

Cobalt who? Cobalt blue of course – a company we last wrote about in February 2006 after Goldman Sachs

Cobalt's big step at the last sale goes a long way to living up to its royal name. According to founder Joseph Bryant, the name is in homage to the midnight blue hue of the ocean's deep waters.

committed to invest \$500 million in the new offshore independent. The missive in that 2006 column made the point that the Goldman and Cobalt connection

proved that capital players and private-equity groups were willing to fund riskier and riskier ideas in pursuit of stronger returns. Since then Cobalt (and its line up of ex-major oil company rock stars) secured additional capital from Carlyle and Riverstone

"Some see deepwater's capital demands as an Abyss others see opportunities."

stretching its purse strings to over a \$1.0 billion in gun powder.

Since then the firm has been under the sonar... but that's to be expected when the deepwater can be deafening, considering its small niche of big players. And where news doesn't travel so well, deals are far and

few between and most oil is found not in acquisitions (except for 2006) but slow-but-sure acreage grabs and raw exploration where years flow between an idea and actual volumes. So in the quiet Gulf – we look forward to the regular public lease sale results lifting the veil on who's who, who's where and how much money is in the pot.

Cobalt dips into \$1.0 billion piggy bank, spends fourth-most at lease sale

Overall Cobalt shelled out \$211.3 million (actually bid \$355.1 million) on its way to winning 51 blocks in the central Gulf of Mexico. On the winning side, Cobalt picked up leaseholds including twenty (20) Green Canyon blocks, nine (9) Garden Banks blocks and three (3) Mississippi Canyon blocks.

In addition, the firm picked up 18 additional jointly-leased blocks with Nexen Petroleum in Garden Banks and Keathley Canyon. In total Cobalt spent the fourth-most amount of money at the auction, posted the third-highest number of bids won and the third-highest number of bids submitted. Not bad for the new kids. As for depth – Cobalt runs deep. Its recently-acquired acreage sits in depths from 2,100 ft. of water to the ultra-deepwater Green Canyon 802 block at 7,110 ft.

"Cobalt advertises itself as a tightly organized company of brilliant minds, unmatched talent, analytical prowess and business acumen. At a billion dollars they better be."

CONTINUED on page 4

LOUISIANA

CATAHOULA PH, LA PROSPECT

38,600-Gross & 41,000-Net Mineral Acres.
Wilcox Mooringsport Targets. **M/DV/NLA**
 —Tuscaloosa Also Potential.
 SEEKING INDUSTRY PARTICIPANT TO DRILL
M 1710DV

JEFFERSON & LAFOURCHE PH., LA

600-Acres. **5.0-15 BCF**
SOUTH LOUISIANA
 Text 'L' & Cib Carst Miocene Targets.
 3-D Seismic, Subsurface & Geophysics.
 100% OPERATED WI; 74% NRI
 Est Reserves: 5.0-15 BCF
DV 8651

SOUTH LOUISIANA PROJECT

2,840 Acres. **DV/3D**
 Normal Pressure
Planulina-Liebusella @ 20,500 Ft.
 Defined by Well logs & 3-D Seismic
 55% WI Available; 73% NRI -Have Operator
 Potential IP Rates: 15-30 MMCFD/Well
 Project Rsrvs: 10-47 MMBO & 215-950 BCF
DV 8962

ST MARTIN & IBERVILLE PH., LA

Multiple Intervals Updip From Production
Main Targets Include Cib Haz, Marg TX.
 — Nodosaria & Rob L Sands.
 Also: Marg A, Bol Mex, Lw Nodosaria
 3-D Seismic Defines Trap Formed
 — By Salt Wall Building **SOLD** **SALT DOME/3D**
 SEEKING JV PARTNERS
 3-Prospects; ONE WELL Commitment.
 75% NRI; First 2 Prospects, 72.5% in 3rd
 Total Est Reserves: 2.2 MMBO & 40 BCF
SOLD BY SELLER THROUGH PLS
DV 9656

MISSISSIPPI

MADISON CO., MS PROSPECT

516-Acres. **250 MBO/Well**
MISSISSIPPI: MESOZOIC SALT BASIN
 Northern Shelf Edge Of Basin.
 75% OPERATED WI; 75% NRI
 Offsetting Fields Produced 3.7-8.0 MMBO
 South Trending Salt Anticline.
 Est Reserves: 250 MBO/Well
 Additional UpHole Reserves Potential.
 Subsurface Geology Defined.
DV 1405

OFFSHORE

OFFSHORE TEXAS LEASE

5-Leases. 1,600-Gross/Net Acres.
 3-D Seismic Data Supports Anomalous AVO
Character Analogous To Existing Production.
 100% OPERATED WI; 73% NRI
 SELLER HAS PACKAGE DETAILS **LEASES/3D**
L 8472LSE



**Offshore Prospects!
 State Waters
 Geological & Technically Driven**

Potential Partners, Capital Providers or Buyers email wise@plsx.com

NORTH TEXAS

TAYLOR CO., TX PROJECT

6-Wells To Rework. Add'l 7-Well Potential.

HOLT LEASE FIELD

Rework Injection Well Plus Rework
—Of 6 Existing Wells.

LEASE

75% NonOp WI; Operations Not Available—

Est PROB After Rework: 30 BOPD

Est POSS After Rework: 150 BOPD

Total Est PROB Reserves: 105 BOPD

Total Est POSS Reserves: 210 BOPD

OPERATOR HAS DETAILED PACKAGE

PP 8658DV

SOUTH TEXAS

GOLIAD CO., TX PROSPECT

GULF COAST BASIN

Middle Wilcox Target @ 14,500 Ft.

UpThrown Fault Closure.

Proprietary 3-D Seismic.

75% OPERATED WI For Sale

Adjacent To Shallower Producing Field.

Est Reserves: 26-177 BCF

DV 9535

DV/3D

MAVERICK CO., TX FARMOUT

27,661-Acres.

64 Sq. Miles 3-D Seismic.

250 BCF/3D

MAVERICK BASIN

Test Well @ 12,000 Ft.

Targeting 3 High Amplitude Anomalies

— In Rift-Fill Section

3-D Seismic Shows Bright Amplitude & AVO

Obj 2: Pearsall, James & Sligo @ 7,100 Ft.

~50% OPERATED WI; 75% NRI

Seeking Partners. Infrastructure In Place.

Estimated Reserves: >250 BCF

DV 8119FO

SOUTH TEXAS PROJECT

3-D Seismic Shoot:

~115 Square Miles

STX/3D

50% NonOperated WI For Sale

CA Required To View Data Package.

DV 1895

ZAPATA CO., TX PROSPECT

Directionally Drilled InFill Development Well

Wilcox Target @ 13,000 Ft.

— Lopeno Series.

3-5 BCF/3D

Defined By 3-D Seismic.

100% OPERATED WI; 78% NRI

150-Acre BLM Lease.

Est Reserves: 3-5 BCF

SELLER HAS DETAILED PACKAGE

DV 9854

SOUTH TEXAS SEISMIC ACQUISITION

1,550-Acres. Good Lease Terms.

EXCELLENT WILCOX POTENTIAL

>80 BCF/3D

Obj 1: Wilcox & Queen City Targets.

Obj 2: Jackson & Cook Mountain Sands

SEEKING INDUSTRY PARTNERS

TO ACQUIRE 25-30 SQ MILES OF 3-D

Est Reserves: >80 BCF

DV 9696

Speaking of unique names – check out BHP Billiton

They've come a long way from a Broken Hill mine in Southern Australia

BHP Billiton is now the world's sixth largest producer of primary aluminum, the third largest copper producer, the third largest supplier of iron ore and one of the world's leading producers of thermal coal. BHP also produces ~3% of the world's rough diamond supply and the company's manganese division produces zinc, ores, alloys and metals. Oh, and did we mention oil?

Fresh off its mining merger with Billiton* in 2001, BHP is now ready to make big moves offshore in the U.S. Gulf of Mexico. After five years (2003-2007) of rather flat performance in its petroleum arm in annual volumes (122-116 MMBOE/Yr), daily production (334,000-318,000 BOEPD) and proved reserves (1,504-1,353 MMBOE) the company is ready to explode off the results of recent capital expenditures. In fact, in the Gulf alone BHP's petroleum arm (also in mining and steel) is budgeted to go from 12,000 BOEPD to 100,000 BOEPD by yearend based on new production from Genghis Khan, Atlantis and Neptune. All at a time when the industry is seeing record oil prices topping \$85 bbl.

How did they get there?

Well earlier this year BHP and partners Hess and Repsol acquired Genghis Khan from Anadarko for \$1.3 Billion (\$583 MM net). These three are also playing Shenzi (See July 20, 2006 MarketAlert) which according to BHP sits in the same (western flank) geological play. Together the Shenzi and Genghis plays cover 6 blocks in Green Canyon (508, 609, 610, 652, 653, 654) under BHP who owns 44% of both while Repsol and Hess own 28% each. All think Genghis Khan (reserve life 20-30 years) will produce 50,000 BOEPD. BHP's share of the tab at Kahn is \$365 million. Shenzi is going to cost BHP \$1.9 billion but is expected to produce 100,000 BOPD and 50 MMCFd starting in 2009.

Over in Atlantis BHP (44%) is spending \$1.6 billion and expects eventual (gross) volumes of 200,000 BOPD and 180 MMCFD with some volumes this year. At Neptune BHP (35% WI) is spending \$405 Million and expects some volumes this year while topping out later at 50,000 BOPD and 50 MMCFD.

BHP Investments

Big Money; Big Moves	Initial Time	Capital	BOPD	MCFD
Genghis Kahn (44% WI) — BHP paid \$583 million for their share purchase price	2nd Half 2007	\$365	50,000	
Atlantis South (44% WI)	2nd Half 2007	\$1,600	200,000	180,000
Neptune (35% WI)	Year End 2007	\$405	50,000	50,000
Shenzi (44% WI) — Repsol paid \$2.1 billion for their 28% share in Shenzi then they bought Anadarko out of Genghis Kahn	Mid 2009	\$1,940	100,000	50,000
Stybarrow (50% WI)	2008 1 QTR	\$380	80,000	
Angel (NW Shelf)	Year End 2008	\$200	800	
Train LNG 5 (NW Shelf)	Year End 2008	\$300		Australia LNG Project
Pyrenees (Australia) (71% WI)	1stHalf /2010	\$1,200	96,000	
Zamzama Phase II (Pakistan)	4Q-2007	\$46		150,000
TOTALS		\$6,436	576,000	430,800

The Petroleum arm also has efforts in Stybarrow (50% WI and \$380 million commitment) in Australia; \$200 million commitment in Angel (NW Shelf Australia); \$300 million in Train 5 (LNG in NW Shelf of Australia); and \$46 million in Pakistan (Zamzama onshore) and Pyrenees (\$1.2 billion).

Overall that's \$6.436 billion in (net) capital expenditures to get a projected 576,000 BOPD and 431 MMCFD in production. At today's prices the potential revenue flow from this investment (based on gross revenue projections, not counting LNG revenues at Train) is \$18 billion per year to the partners. Ka Ching!

Footnote 1 – Billiton also owns major producing assets in Algeria, Australia, Pakistan, Trinidad and Tobago and the United Kingdom. It has an international exploration and development program and markets oil, condensate, liquefied petroleum gases, natural gas and LNG to customers worldwide. In the 12-month period ending June 30, production averaged 318,000 BOED, or 116 MMBOE for the year.

SOUTHEAST TEXAS

MATAGORDA CO., TX PROSPECT

1-5 Well Project. 300-Acres.
Obj 1: Middle Frio "Lewis" @ 10,300 Ft.
Obj 2: Middle Frio "Savage" @ 10,300 Ft.
3-D Seismic. SubSurface Geology. **3.5 MMBOE PROJ**
100% OPERATED WI; 75% NRI
Est Rsrvs: >2.5 MMBO & >6 BCF/Proj
DV 9675

VICTORIA CO., TX PROSPECT

1-Well. 103-Acres.
SOUTHEAST TEXAS
Two Frio Sand Objectives. **2.5 BCFe**
Low Risk 3D Amplitude Anomalies.
Beautiful Gas Signatures.
100% OPERATED WI; 74% NRI
Extension of Producing Wood High Field
Wood High Cumm: 1.0 MMBO & 4.7 BCF
Est Risked Rsrvs (P50): 1.5 BCFe/Well
UnRisked Potential: 2.5 BCFe/Well
DV 1578

WEST TEXAS

WEST TEXAS PROSPECTS

7-Prospects.
30,000-Net Acres-Leased.
PERMIAN - NORTHWEST SHELF **250 BCF**
Multiple Objectives @ 8,000 Ft.
Include: Cisco, Canyon, Strawn Carbonate
Strawn Clastic & Siluro-Ordovician
OPERATIONS AVAILABLE
Est Reserves: 250 BCF
Pipeline Access in Prospect Area
DV 9995LSE

CROCKETT CO., TX PROSPECT

~7,000-Acres HBP.
Fusselman, Ellenburger, Strawn Targets
Development & Exploration.
New 3-D Seismic Grid. **DV/WTX/3D**
SEEKING PARTNERS for EXPLOITATION
Discovery Producing
— 150 BOPD & ~250 MCFD
Prospective Operated Reconnpl Available.
DV 9647

REEVES CO., TX PROJECT

24,329 Acres.
DELAWARE BASIN- 3 TARGETS
Third Bone Spring Play @ 10,500 Ft.+/- HZ
Wolfcamp Vertical Gas.
Pennsylvanian Haley Field Trend. **3 SOLID TARGETS**
>35% NonOperated WI; 75% NRI
3rd Bone Springs: Expect IP >450 BOPD
Est (Bone Spr) Rsrvs: 300-400 MBO/Well
Wolfcp. Est IP 2-3 MMCFD; Rsrvs: 3-5 BCF/Well
Penn Over-Pressured Est IP 10-40 MMCFD
Est Penn Reserves: 8-20 BCF/Well
OFFERED BY PLS' PROSPECT CENTRE
DV 9444HZ

ARKANSAS

UNION CO., AR WILDCAT

7-8 Well Potential.
Upper Gulf Coast @ 6,850 Ft.
Multi Pay Zones. **125 MBO/Well**
Direct Offset To Production.
Subsurface Geology & Seismic.
60% OPERATED WI; 75%-77% NRI
Est Reserves: 125 MBO/Well
CONTACT SELLER TO LEARN MORE
DV 8821

MICHIGAN

CENTRAL MICHIGAN PROSPECTS

3-Well Project. 2,800-Acres.
MICHIGAN BASIN
Glenwood & Prairie Du Chien Targeted. **DV/MI**
2-D Seismic Lines.
1/3 for 1/4; 80% NRI Delivered
Est Reserves: 1.5-10 BCF/Well
DV 1967LSE

COLORADO

RIO BLANCO CO., CO PROSPECT

7-Well Potential.
640-Gross/Net Acres.
THUNDER FIELD **LOW-RISK**
Low-Risk Drilling Opportunities.
100% OPERATED WI; 87.5% NRI
Acreage OffSet Wells Have Cumm'd
— 1.85 BCF (Mancos & Dakota)
Flexible Farmout Terms.
DV 6139F0

ROCKY MOUNTAINS

NORTHERN ROCKIES PACKAGE

317-Wells. Holds 48% of PUD Reserves.
MONTANA, NORTH & SOUTH DAKOTA
OPERATED WI Available
Net Production: ~887 BOED **~887 BOED**
Net Cash Flow: \$821,428/Mn
Est Net Reserves: ~4,262 MBOE
Net Proved PV12: \$65,000,000
Engineering Available for Review.
Negotiated Sale. In House Data Room.
AGENT WANTS OFFERS NOVEMBER 14
PP 8491DV

MONTANA

CARTER CO., MT MINERALS

10,860-Gross Acres. 9,120-Net Acres.
WILLISTON BASIN **MINERALS**
Leases Near 1 MMBO Red River Well.
Mineral Interest For Lease.
New Well Drilling On Favorable
— Basement Fault Structures.
— Tested 175 BOPD & 12 BWPD
M 8194



Featured Packages

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For Sale

HIDALGO CO., TX ORRI

3-Wells. 275-Acres.
SMALL ORRI FOR SALE
Net Revenue: \$20,000/Mn
RR 8680



DESOTO PARISH ROYALTY SALE

5-Wells. 1-New Well. 485-Acres.
LOGANSPOUT FIELD
Net Cash Flow: \$28,400Mn
RR 8678



KANSAS SALE PACKAGE

108-Wells; 88-Active & 1-SWD.
JEFFERSON & LEAVENWORTH
100% OPERATED WI; 81% NRI
PP 9920DV



TEXAS NONOPERATED SALE PKG

17-Wells. 4-PUDs. 19-PDNPs.
~13.0% NonOperated WI; 10% NRI (Avg)
Total Est. Net Reserves: 2.4-2.7 BCFe
PP 5438DV

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MONTANA

HILL, BLAINE, & CHOUTEAU CO., MT
~900-Wells. ~752,800-Gross/343,400-Net Ac.

WILLISTON BASIN

BATTLE CREEK & TIGER RIDGE

~71 MMCFD

Recompletion & Drilling Potential.

Seismic Defines Excellent Blanket Reservoir.

100% OPERATED WI; 84% NRI

Net Production: ~71.2 MMCFD

Potential Project Area: 5,000 Square Miles.

Pipelines Traverse Project Area.

Gathering Systems In Place.

Fee, Federal & State Leases.

Majority of Leases Expire 2009 & Beyond.

OFFERS WANTED OCTOBER 19, 2007

PP 8813DV

NORTH DAKOTA

NORTH DAKOTA PROSPECTS

30-50 Potential Wells. >11,200-Net Acres.

WILLISTON BASIN

Bakken & Ratcliffe @ 10,000 Ft.

HORIZONTAL

Horizontals On 640-1,280 Ac Spacing.

SubSurface Geology. Multiple Counties.

100% OPERATED WI; 88% NRI

— Deliver 80% or Better-All Leases

Est Rsrvs: 300-500 MBO & 0.5-2.0 BCF

Compl: \$3,500,000-\$5,500,000

— SOLD BY SELLER

DV 2905HZ

WYOMING

FREMONT CO., WY PROSPECT

3-Wells. 1-ShutIn.

515-Well Potential.

23.1 BCFe

HOWARD RANCH FIELD

6,324-Gross & 5,844-Net Acres HBP

Multiple Targets @ ~8,000 -15,000 Ft.

Deeper Zones Possible.

>10,000 Ft Of Overpressured Gas Column.

70 Square Miles of Proprietary 3-D Seismic.

Leases Delivered At 78% NRI

Producing Wells Have Cum'm'd 2.8 BCF

Potential For 2.1 TCF Out of 3.2 TCF GIP

Total Proved Reserves: 23.1 BCFe

Total Net PV10: \$44,200,000

Federal & State Leases.

Gathering System In Place To Pipeline.

OFFERS WANTED BY DECEMBER 14

PP 8451DV/LSE

NATRONA CO., WY PROSPECT

12-Well Potential. 1,200-Acres.

CASPER ARCH / SALT CREEK

1.2 MBO/Proj

2nd Wall Creek @ 3,200 Ft.

3-D Seismic & SubSurface Geology.

100% OPERATED WI; 80% NRI

Reserves:100 MBO/Well; 1.2 MBO/Proj

DV 9406

WYOMING

WYOMING DEEP GAS PROPERTY

3-Wells. 40-50 Potential Wells.

2,100-Acres.

150 Ft. Lance Sands & >200 Ft. of Coals.

Lease In Very Active Producing Area in All

BP Zones: Almond/Lance/Lewis/Coals

50% OPERATED WI; 75%-80% NRI

1-Well Producing: 18 MCFD

WY/LEASE

Add Compressor To Increase Prod By 30%

Est Reserves: >80 BCF

Very Quick Pay Out Of Investment.

PP 9979DV

CALIFORNIA

KERN CO., CA PROSPECTS

3-Prospects. ~8,000-Acres.

Temblor, Point Of Rocks & Mabury

93 MMBOE

@ 1,500 Ft. - 5,500 Ft. PTDs

2-D Seismic/Well Data/Surface Geology

Seeking Drilling Partner For 2-Test Wells.

Trend Contains 4 Additional Prospect Leads

— & A Subthrust Basin

Recoverable Rsrvs 61 MMBO & 194 BCF

Monterrey Oil Source Rock and Deeper

— Source Rock Beds

DV 1100

Cobalt shells out \$211 MM for 51 blocks *CONTINUED* from page 1

On an individual lease basis the company paid \$7,530 per acre for 5,760 acres in another Green Canyon block, (~5,500 ft) for ~\$43.4 million, Cobalt's highest single bid in the auction.

As for management and philosophy—

Cobalt's founder Joseph H. Bryant, (according to Berry Petroleum CEO Robert Heinemann*) "knows his way around the drill bit and a balance sheet" he also knows big oil and deep water considering his background at Unocal and BP. His other teams members James Farmsworth, James Painter (Unocal, Forest, Mobil, Superior) and James Ivey (Tenneco, MarkWest) also come well-heeled And Samuel Gillespie (Mobil) brings an international flavor, which might explain their dabbles in Angola and Gabon where supposedly lower costs meet higher risk.

The 3 James and a Joe founded Cobalt in response to what Bryant defined to the *NY Times* as "a foregoing of exploration on the part of Big Oil" which has "opened the door to entrepreneurs to take advantage of the lush financing available to energy start-ups." In addition to taking advantage of ample capital, and market opportunities, Bryant also has unique ideas on "back office and day-to-day operations." He doesn't do windows – Cobalt outsources and Bryant wants to keep the operation "lean and mean" so the 30 plus employees (mostly experienced geologists) can focus their time and state-of-the-art technology on finding oil and gas.

Cobalt's a great name. It sounded better than "3 James and a Joe."

According to prior press reports. "It was the strength of Cobalt's management team, and its ability to lure top geologists, that persuaded investors to back Cobalt's project." So blending market opportunities in the deep Gulf with new technology, solid experience, ample capital and the risk-taking commitment to gamble \$220 million on acreage may be a recipe for a nontraditional company to make waves.

Let's hope they make wells!

*Footnote 2 – quoted in *New York Times* article

Petroleum Listing Service

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