

Maverick Drilling and Exploration

April 17th 2013

Time to go MAD

If you drill, oil will flow.

With proven oil reserves priced around a quarter of the local industry average **Maverick Drilling and Exploration** (ASX: MAD) is one damn cheap oil company. Maverick looks even better when you throw in experienced shareholder-aligned management, large acreage, increasing production, likely reserves upgrade and high-impact drilling success.

Drilling Down

Maverick is an ASX listed diversified oil company with existing oil production and reserves focusing on low cost development of low risk drilling prospects.

The company has been drilling for oil for close to 40 years and has accumulated vast experience drilling on Texas salt domes.

Maverick's flagship assets are leases that it holds over parts of the Blue Ridge, Boling and Nash Domes, established producing oil fields located south of Houston, Texas in the United States.

Why invest in Maverick

- Large pure liquid oil reserves – over 100 million bbls proven reserves.
- Existing production to fund development – now averaging over 1,000 BOPD.
- Excellent pipeline of future developmental drill sites.
- Low cost focus – fairway drilling costs a low \$250,000 per well.
- Development partner funding some wells in exchange for minority royalty.
- Internal rig fleet – currently own 24 rigs.
- Management operating in 'own patch'.
- Years of internal research and experience – close to 40 years' experience.
- Exploration opportunities.

Catalysts

- High impact well success.
- Increasing production.
- Increasing reserves.

MAD

STRONG
BUY

Price target

\$1.30

Recent price	\$0.64
Industry	Oil and Gas E&P
Return risk ratio	> 3:1
Market Cap	\$290 M
Shares Out	453 M
Cash / Debt	\$53.7 M / \$7.5 M
Yield	N/A

	2011	2012	TTM
<i>Sales \$M</i>	11	22.2	21
<i>EPS cents</i>	0.7	1.7	0.25
<i>FCF \$M</i>	(12.4)	(11.6)	(19.6)



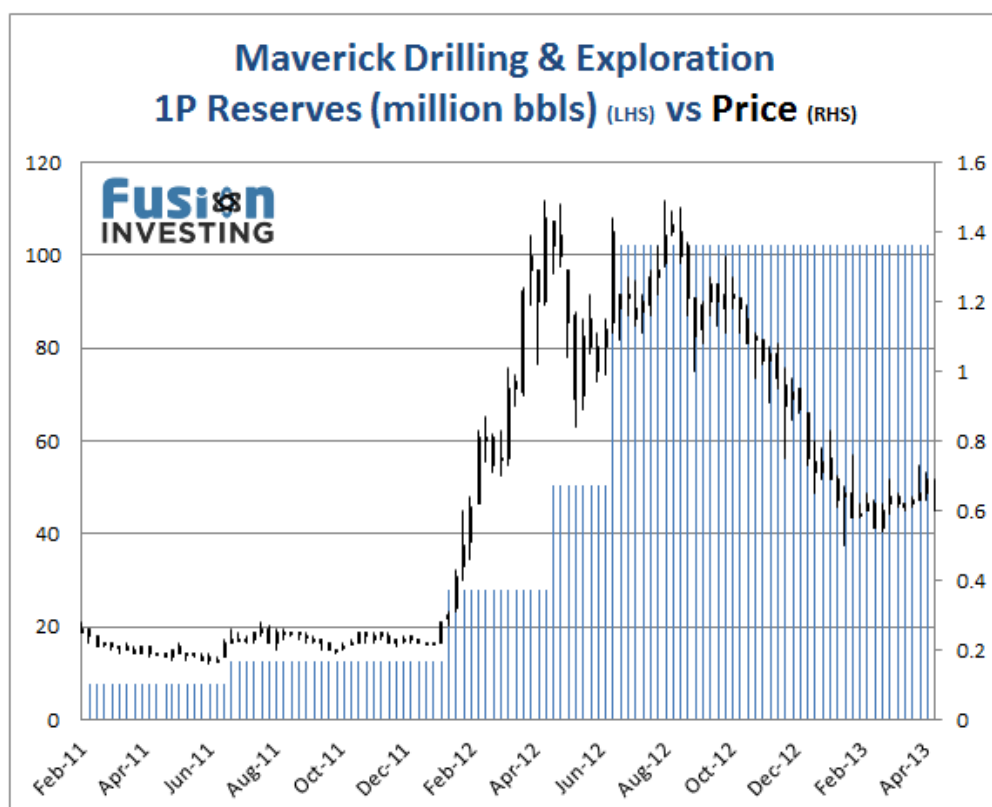
The Maverick Story

Reserves

Maverick listed on the ASX in September 2010 at 20 cent with 7.8 million barrels of proven (1P) reserves and 25.6 million bbls of probable (2P) reserves. Production was around 300 barrels of oil per day (BOPD).

Reserves were upgraded once in 2011 and a further three times in 2012 as Maverick increased its leased acreage and proved up resources. Maverick now has an impressive 102 million bbls of 1P and 192 million bbls of 2P reserves.

Since listing Maverick has increased its leases from 850 acres to over 15,000 acres across three proven oil fields.

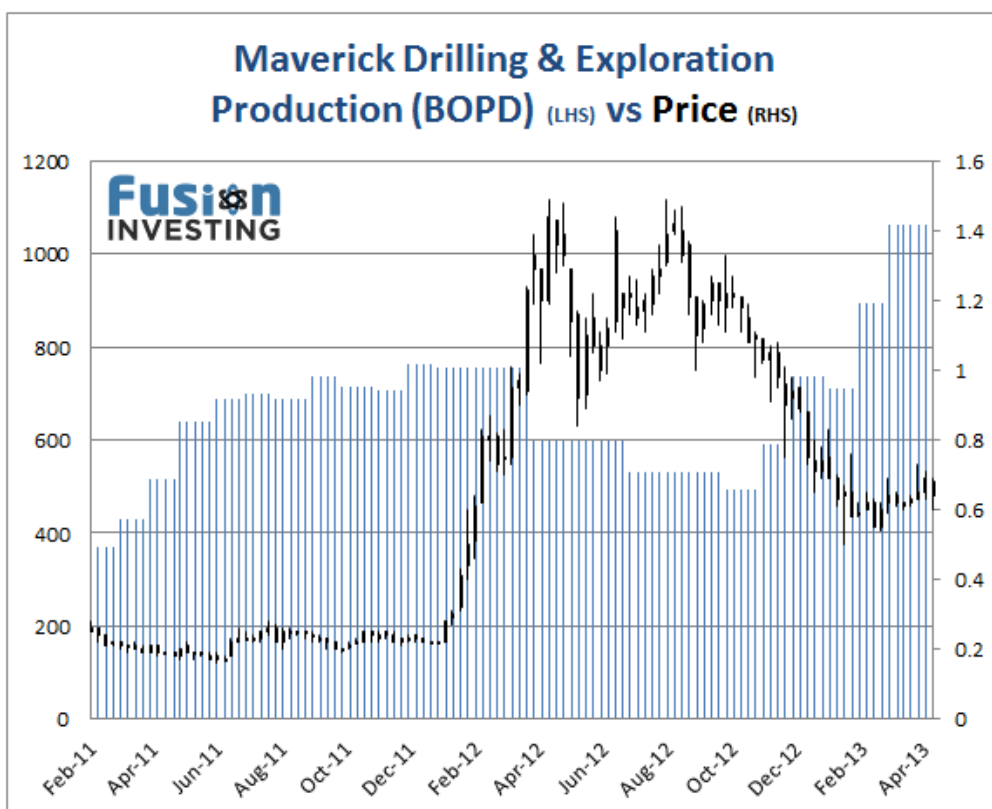


Production – After an initially impressive production ramp up in 2011, production declined during the middle part of 2012. There were a couple of reasons for the decline and management admitted to ‘stubbing their toe’.

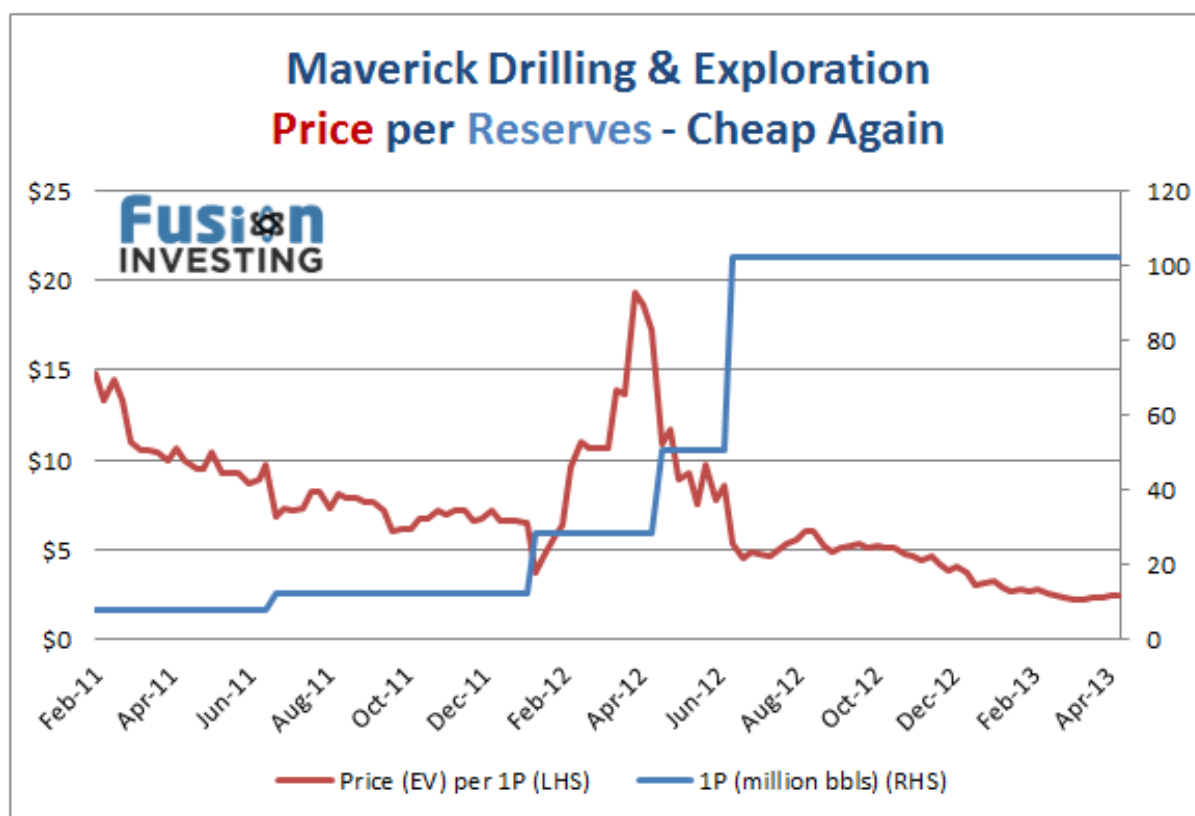
Looking forward, management are highly confident the current trend of increasing production will continue throughout 2013.

March 2013 was Mavericks first month of average production in excess of 1,000 BOPD. While management doesn’t speculate on future production levels they have given many indications that this should be a rewarding year on the production front.

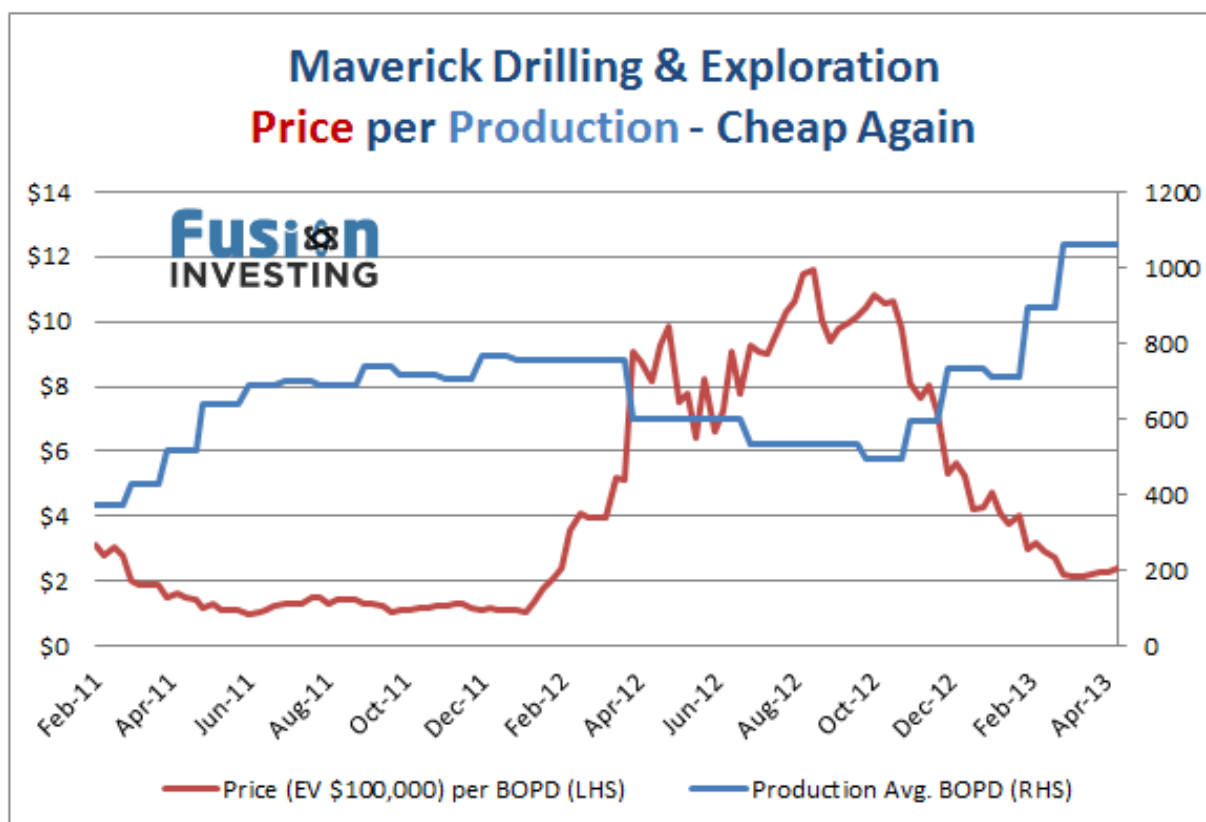
The production trend since October 2012 is very positive, but should not be extrapolated.



In my original [recommendation](#) of Maverick in August 2011 I said it was cheap on a reserves valuation at \$7 a barrel. Despite the higher share price, **Maverick is now changing hands for \$2.50 a barrel. That's incredibly cheap.**



Eight months after my buy recommendation, with Maverick up 400 percent, I recommended investors take part profits. That call was not warmly greeted, but as these charts show it was clear investors had gotten ahead of themselves. It's taken a year for Maverick to finally come back down to value territory. **I now strongly believe Maverick is once again cheap.** Investors who wait for the all clear to be sounded by consistently high production levels and high impact drilling successes will be too late to enjoy the rewards.



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I beneficially own shares in Maverick Drilling and Exploration.

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Do your own due diligence.

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I am not worthy.

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