

# ERHC Energy Special Report

Also, see an excellent [Technical Analysis of the Daily and Weekly Charts](#) by Roy Martens.

I have owned shares in [ERHC Energy](#) (ticker symbol [erhe.ob](#)) for almost 2 years now, purchasing the majority of them before I became convinced of silver's incredible potential. That being said, it was certainly not my intention to have my first newsletter focus in on a speculative oil play, as I realize that this is a Silver Stock Newsletter, but, due to the many very positive developments that have recently taken place with regards to ERHC Energy, I feel compelled to make this information readily available to you.

Currently, ERHC Energy is the only energy stock in my portfolio, and I believe that it is a very attractive buy at the current price of \$.41/share. My short term price target is \$.75-\$2.00/share, and these levels should be approached within weeks if the proposed PSC signings remain on schedule.

## The Situation At Hand

In May of 2005, ERHC Energy was awarded substantial percentages in 5 potentially prolific oil blocks in the Gulf of Guinea waters, located off the coast of Nigeria near the islands of Sao Tome and Principe.

Block 2 ---awarded 65% interest (**operator**, partnered with Pioneer)

Block 3 ---awarded 25% interest (partnered with Pioneer)

Block 4 ---awarded 60% interest (**operator**, partnered with Addax)

Block 5 ---awarded 15% interest

Block 6 ---awarded 15% interest

The nine blocks auctioned off in JDZ rounds I and II\* are estimated to contain between 8-14 **billion** barrels of oil, and blocks 1, 2, and 4 are believed to be the richest. Notice that ERHC together with its joint-venture partners hold majority interest in blocks 2 and 4, meaning that ERHC owns potential reserves of 2-4 **billion** barrels of oil if the seismic and 3-D mapping reports are accurate (Note: this does not take into account the enormous amounts of natural gas believed to be located in this region, nor does it factor in the rights to 2 more blocks that ERHC will take full ownership of when the future EEZ round is conducted)

\*There will be several future rounds in the JDZ as JDZ round I and JDZ round II covered only a small percentage of the previously disputed boundary between Sao Tome and Nigeria.

Chevron and Exxon-Mobil both won rights to block 1 in the first bidding round conducted in April of 2003. Chevron is the operator, and it should be noted their \$123 million was one of the largest signature bonuses ever paid for the rights to one oil block. Chevron expects to begin a drilling

program in January of 2006.

In blocks 2 and 3, ERHC Energy has partnered with [Pioneer Natural Resources](#), a well respected drilling company listed on the NYSE which trades under the symbol [PXD](#). Currently, Pioneer's market capitalization is an impressive 6.6 billion dollars.

In block 4, ERHC has partnered with [Addax Petroleum](#). Addax petroleum has just recently announced that they will be providing ERHC with a 'full carry' till first oil (meaning ERHC doesn't have to pay any expenses until production begins). In addition to this wonderful news, it has recently been announced that Addax will not only carry ERHC to first oil, but they will also pay ERHC 18 million dollars and grant them a larger percent interest in block 4 than previously anticipated (26.67% vs. 21.25%)!

It has also been announced just a few days ago that Addax will soon be conducting an IPO on the Toronto exchange. It is estimated that this initial public offering will raise over \$350 million dollars for the company, making it the largest common stock IPO that has taken place in Canada in over a year. This is significant because it reveals Addax's desire to raise large amounts of capital in order to finance their African operations\*, and undoubtedly, it's JV (joint-venture) with ERHC has something to do with it.

\*Addax Petroleum currently produces between 70,000-80,000 barrels of oil per day in all their African operations combined.

Also, Pioneer Resources has already made it quite clear that they will begin selling their offshore assets in the Gulf of Mexico and southern Argentina in order to focus on their onshore North American and onshore/offshore African operations. Pioneer has made this decision because it believes these opportunities to be "better aligned with the Company's current exploration objectives" ([view link](#)).

The Gulf of Guinea is gradually gaining worldwide recognition as it is thought to contain several 'elephant fields' (oil fields in excess of 1 billion barrels). In addition to the multi-billion dollar companies of Chevron, Exxon-Mobil, and Pioneer Natural Resources, this area has attracted the attention of several Chinese and Indian oil giants who are all desperate to satiate their energy needs. In fact, there is currently a bid-war going on between Chrome Energy (ERHC's parent company), Taiwan's CPC, and India's Essar over the ownership of Nigeria's largest oil refinery.

But before drilling can begin in blocks 2-9, the signing of the PSC's (Production Sharing Contracts) must take place. As it now stands, the PSC's for the 5 blocks offered in round 2 are likely to be completed before Christmas, with the possible exception of block 4 due to a recent change in operatorship. If this date is met without further delay, I expect the share price of ERHC to increase dramatically in the coming weeks, similar to its precipitous price rise in April of 2004. Only this time the price will reflect the actual results of the bidding round, and not just expectations, which were not met the first time around.

Long term, I rate ERHC as a strong buy, with a potential 10-20 times price appreciation by the time of first oil well production (est. 2010). This price-projection is based upon comparative market valuations of other companies that command similar oil prospects.

Short term, I believe ERHC offers incredible upside volatility, of which it may be wise to capitalize upon.

Some excellent sites where you can conduct further due diligence:

<http://www.erhc.com> (ERHC Energy's Web Site)  
<http://erhc.blogspot.com> (Well Maintained Blog)  
<http://www.investorshub.com/boards/> (Active Investment Forum)  
<http://finance.yahoo.com/q?s=erhe.ob>  
<http://www.erhc.greatsprings.net>

ERHC Energy is based in Houston, TX. It has never attempted to pump, just check their news releases for the past several years for confirmation. The Chairman of the Board is Sir Emeka Offor, a well known Nigerian billionaire involved primarily in the insurance and aviation industries. Sir Emeka Offor is currently the sole manager of Chrome, which is itself a major shareholder of ERHC Energy (303,591,433 shares as of March 9, 2005)

ERHC Energy's Key Statistics:

- Total Shares Outstanding: 710 Million
- Current Market Capitalization: \$291 Million
- Cash: \$1.5 Million
- Debt: \$33 Thousand

Note: I own shares in erhe.ob. The company has not compensated me in any way to write this article.

## Disclaimer

Information contained on the Silver In Scripture web site and published in both *View My Portfolio* and the *Silver Stock Investment Newsletter* is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. The information contained from these sources is not intended to constitute individual investment advice and is not designed to meet your personal financial situation. The opinions expressed therein are those of the publisher and are subject to change without notice. The information therein may become outdated and there is no obligation to update any such information. David Zurbuchen, entities in which he has an interest, employees, officers, family, and associates may from time to time have positions in the securities or commodities covered in these publications or web site. PLEASE SEEK THE ADVICE OF PROFESSIONALS, AS APPROPRIATE, REGARDING THE EVALUATION OF ANY SPECIFIC SECURITY, REPORT, OPINION, ADVICE, OR OTHER CONTENT. We do not in any way warrant or guarantee the success of any action you take in reliance on the statements of the designated subsidiary.