

Roc Takes Flight*



The Crystal Ocean FPSO and the Basker Spirit Tanker.

Roc Oil CEO Bruce Clement is confident the Sydney-based oil and gas exploration and production company has weathered the fallout from the global credit crunch, with the consolidation of 2009 to be followed by further exploration and development in 2010.

Clement, who with 30 years' involvement in the oil and gas business is well acquainted with its cyclical nature, shied away from bullish predictions of a steep rise in the oil price but describes himself as being 'pretty confident about the future'.

"Coming out of 2009, which for us was a necessarily constrained production budget and plan, we will be doing a lot more in 2010 and in future years", he commented. "We've made sure we've met our operating budgets, in terms of production, cash flow and expenditure, and built a base for the company moving into 2010."

Clement said, despite cutbacks to its exploration budget in 2009, Roc has achieved a good balance across a diverse portfolio, encompassing exploration, production and development assets both at home and abroad.

"We reached a point where we had to be self-funded, and to be self-funded we therefore had to cut down our exploration ... We're probably coming back to a much better balance", he noted.

"There've been some good operating performances from us. Obviously, we would like to get into drilling more exploration wells in

2010 and finding some oil and gas, and clearly that's our goal going forward."

Clement said Roc, which has assets across Australia, New Zealand, China, Africa and the UK, will be increasingly focusing on Australia and Southeast Asia, taking a step back from its African interests.

"Our African exposure will be, in terms of financial commitments in the future, a little less than it has been in the past", he said. "But we still see some real opportunity there, it's just that the company, the way we are today, we're not going to be spending as much as we have in the past on pure exploration there, but, rather, using our equity to bring others in to help us do the work programs. In Australia our focus is a little different: we're looking to grow our portfolio in this part of the world."

Roc has farmed-down in the onshore Cabinda South block in Angola and is looking to farm-down in the deep-water Block H in Equatorial Guinea.

"Similarly, in Madagascar [the offshore blocks Belo Profond and Juan de Nova Maritime Profond in the Mozambique Channel], where we have potentially a 90% interest in the block, we will look to farm-down to bring in other

partners”, Clement said, noting it is still ‘very early days’ in the greenfields area.

In Mauritania, Roc has 2–6% interests in a number of offshore blocks, including one production asset, the Chinguetti oil field. Clement acknowledged the risks in doing business in a politically volatile country like Mauritania.

“Of all our jurisdictions we’re in, it’s been probably the most risky, so to speak”, he noted. “But, having said that, whilst there’s been a couple of negotiated arrangements come to, in terms of the offshore production sharing contracts between the joint venturers and the government, we’ve had a fairly stable continuity of project work offshore. We’ve had the development of Chinguetti and the production period, and that hasn’t been interrupted by any of the onshore changes the country’s gone through. I think being in an offshore environment has been beneficial in that regard.”

In China, Roc has interests in the Beibu Gulf and Bohai Bay. Clement noted, while Roc began its substantial involvement in China upon farming in to Block 22/12 in the Beibu Gulf in 2002 and acquiring an interest in the Zhao Dong project in Bohai Bay in 2006, its ties with China go back to 1998.

“Early on in our existence, before we became a public company, we actually had an interest in Mongolia ... and we built up some relationships in China then, through servicing and providing support for the project in Mongolia, and also through selling some crude oil”, he said. “We started our relationship then, and built up a few contacts at that time.”

The offshore Zhao Dong block, northeast China, was already producing when Roc acquired a 24.5% interest and took on operatorship of the joint venture. The block contains three producing oil fields: the C, D and C4 fields. The C4 field began production in 2008.

“We’ve done quite a bit of development work up there in the last couple of years”, Clement said. “We’ve installed four new platforms and a pipeline connecting a satellite platform with the main host platform. We’ve drilled a number of wells in each of the last four years, through 2006, 07, 08 and 09, a number of development wells, and we’ll continue drilling there on an expanded facility, that we’ve just finished the expansion of this year [2009], during 2010 and 11. So, there’s quite a bit of activity in that project, all targeted at really keeping the production rate around that 20,000 bbl/d over the next few years.”

Roc and its joint venture partners are working towards FID for the offshore Beibu Gulf project, southern China, pending government approvals, with first oil anticipated in 2012. Roc has a 40% interest in the project and is operator.

“We’ve made a couple of discoveries there, and we have a development project that we’re working now with the China National Offshore Oil Corporation, CNOOC, to get the overall development plan, or ODP, approved”, Clement said. “That plan we’re aiming to have finished probably early next year, early in 2010, with a view to getting development approvals soon after that.”

Clement noted the close working relationships formed between foreign oil companies working in China and the Chinese Government, with Chinese national oil companies effectively working as joint venture partners during the development phase of projects.

“In terms of working with the government, we have built up some good relationships”, he said. “The only advice I would have for people going there is that it tends to take a bit longer to get things through the system than you might expect in a Western jurisdiction. Not the certainty of it happening, just the timing of it happening, because you’re running in a centralised bureaucracy to some degree.”



Roc Oil CEO Bruce Clement



The Cliff Head unmanned platform.

company focus

Roc is the operator of two producing assets in Australia: the Basker-Manta-Gummy (BMG) oil and gas fields in the offshore Gippsland Basin, Bass Strait, Victoria, and the Cliff Head oil field, in the offshore Perth Basin, Western Australia. Roc's Gippsland Basin producing assets comprise a 30% operating interest in VIC/L26, VIC/L27 and VIC/L28, including BMG, acquired upon the acquisition of Anzon Energy in 2008; it holds a 37.5% stake in the Cliff Head project.

Roc has recently downgraded its remaining 2P reserves at BMG to 3 MMbbl, assuming no further development activity is undertaken, stating future development plans for the BMG Phase-1 oil project and the BMG Phase-2 gas project are being evaluated.



The Zhao Dong offshore facilities.

A collage of various geophysical data acquisition tools. In the center is a large yellow cylindrical sensor with the Geokinetics logo. Surrounding it are images of a white truck, a blue boat, a yellow helicopter, and a large blue and red coiled cable. The background is white with some faint grid lines.

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The Geokinetics logo, which consists of a stylized circular graphic with the word "Geokinetics" written in a sans-serif font below it.

Roc stated gross oil production at Cliff Head averaged 3,888 bbl/d (Roc, 1458 bbl/d) in 2009, down 41% compared to the previous year, primarily due to workovers to install electric submersible pumps at the Cliff Head-6 and Cliff Head-10 production wells. Roc's share of remaining 2P reserves at Cliff Head, as of 31 December 2009, is 3.1 MMbbl.

Clement noted there are a couple of smaller opportunities near Cliff Head that Roc, in conjunction with the joint venture, is looking to potentially drill in the future. Also in Western Australia, Clement was keen to highlight Roc's interest in permit WA-351-P on the North West Shelf.

"We've got a 20% interest in a block operated by BHP, and Tap are in there with 25%. It's west of Gorgon, adjacent to where Hess have made a few recent discoveries; it's in what I'd call the Greater Gorgon area, and the area where we're seeing some further LNG developments getting approved. We're quite excited about the block. We see it does have good strong gas potential, the 3D seismic looks attractive", he said, adding BHP is working towards drilling a well in the block in 2010 or 2011.

"This year we will see some growth in our exploration, certainly compared with last year, and I think we're in a good position. We're well balanced, we've got a good cash flow coming out of our assets, we've got a couple of development projects we're going to grow on, and we're also back in the exploration game." ■

** According to Middle Eastern literature, the Roc is an enormous mythical Asian/Arabian bird, which laid eggs as big as castles and fed upon young elephants and giant serpents. As described in the Tales of Arabian Nights, Sinbad the Sailor escaped from an island on which he was stranded by tying himself to the huge foot of a sleeping Roc. When the bird awoke and flew away, it carried Sinbad with it to a new adventure which led to his discovery of a great natural resource in the Valley of the Diamonds. (Taken from Roc Oil's website.)*