# ROC OIL COMPANY LIMITED

ACN 075 965 856

**REPORT TO THE AUSTRALIAN STOCK EXCHANGE (ASX)**
**Activities for the Quarter Ended 31 March 2000**

## HIGHLIGHTS

**Record sales revenue up 107% on previous quarter**

ROC's second full quarter as a publicly listed company saw record sales revenue of $26.45 million, up 107% on the $12.79 million equivalent figure for the previous quarter.

**… thanks to an 184% increase in production**

Driving the increased revenue figure is a 184% increase in average daily production for the quarter from 4,069 barrels of oil equivalent per day (BOEPD) to 11,550 BOEPD.

**… due to the Saltfleetby Gas Field which continues to outperform Prospectus expectations while…**

The quarter-on-quarter increase in production is primarily due to the receipt of three full months of gas production from the Saltfleetby Gas Field compared with 18 days in the previous quarter. Saltfleetby continues to outperform Prospectus expectations by maintaining peak plateau production: 4.45 billion cubic feet of gas for the Quarter at an average for the Quarter of 49 million standard cubic feet per day (MMSCFD) together with an estimated 1,000 barrels of condensate per day (BCPD).

**…ROC's undeveloped North Sea fields move towards development as…**

During, and shortly after, the Quarter three of ROC's undeveloped oil fields in the UK North Sea - Kyle, Chestnut and Blane - all made significant progress towards separate commercial development.

**… the Company's exploration portfolio is highgraded…**

During the Quarter ROC exercised its option to acquire exploration acreage in the offshore Perth Basin and negotiated two significant transactions offshore West Africa. The latter culminated in a post-quarter announcement that the Company had acquired a significant interest in the deep water Rio Muni Basin, offshore Equatorial Guinea and an option over a spread of small interests covering virtually all of the prospective sedimentary basins, offshore Mauritania. These areas are considered to be prospective for deep water turbidite sands and other geological play concepts that, during the last five years, have been proven to contain giant oil fields elsewhere along the West African coast.

**… causing the CEO to comment**

*"During the Quarter ROC compellingly demonstrated that it is roaring along in terms of all the financial fundamentals which most people take into account when trying to judge whether or not a company is performing satisfactorily".*

# ASX QUARTERLY REPORT MARCH 2000

# 1. SUMMARY STATISTICS

## 1.1 PRODUCTION (NET)

| | Dec '99 Qtr | Mar '00 Qtr |
|---|---|---|
| **OIL & NGL** | BBLS | BBLS |
| UK – Onshore Oil | 215,216 | 200,995 |
| UK – Offshore Oil | 16,494 | 15,379 |
| UK – Onshore NGL | 21,756 | 92,302 |
| **Total Oil & NGL** | 253,466 | 308,676 |
| | | |
| **GAS (MCF)** | 725,190 | 4,452,630 |
| Average Production (BOE/day) | 4,069 | 11,550 |

*Excludes Mongolian test oil production in the order of 130 BOPD.*

## 1.2 SALES REVENUE

| | Dec '99 Qtr $,000 | Mar '00 Qtr $,000 |
|---|---|---|
| **Sales Revenue** | | |
| UK Oil & NGLs[1 2] | 8,931 | 9,184 |
| UK Gas | 3,009 | 16,637 |
| Other UK Revenue | 653 | 633 |
| Mongolian Test Production | 198 | - |
| Total | 12,791 | 26,454 |

## 1.3 EXPENDITURE

| | Dec '99 Qtr $,000 | Mar '00 Qtr $,000 |
|---|---|---|
| Exploration | 3,326 | 2,416 |
| Development | 13,799 | 1,764 |
| Total | 17,125 | 4,180 |

## 1.4 DRILLING

The 30/22b-2 exploration well in Block 30/22b in the central North Sea, funded 12.85% by ROC, reached a total depth of 2,820 metres on 29 March 2000 and was plugged and abandoned after failing to encounter any hydrocarbons. The total well cost was approximately £2 million, about one third less than budget.

1 *1,000 BOPD per day of UK 2000 oil production was hedged at US$14.35 per bbl prior to the acquisition by ROC. The reported UK revenue includes $0.4 million recognised as a reversal of the liability for the hedging in the Morrison Middlefield Resources Limited acquisition accounting..*

2 *In the December 1999 quarter 2,000 BOPD per day of UK 1999 oil production was hedged at US$13.00 per bbl prior to the acquisition by ROC. The reported UK revenue for the December 1999 quarter includes $2.9 million recognised as a reversal of the liability for the hedging in the Morrison Middlefield Resources Limited acquisition accounting.*

### 1.5 SEISMIC

Seismic interpretation work continued through the Quarter on all of the Company's areas although the only seismic acquisition undertaken was a small onshore UK survey.

#### 1.5.1 Onshore UK

In the East Midlands the opportunity was taken to extend a 3D survey being shot by an adjacent licence holder. A total of 5.8 sq km was added to the survey over licences PL199a and PL179b, providing a critical link to existing 3D coverage over PL179b (Welton Area). The entire new survey, totalling 55 sq km, will be merged with the existing survey to provide data coverage over the Nettleham Field trend into PL199.

## 2. CEO'S REPORT

This Quarterly Report is the latest in a sequence of communications which the Company has distributed to shareholders during the last couple of months, including ROC's first Annual Report as a publicly listed company and the first of a series of *Shareholders Updates* which are mailed direct to all shareholders around the mid-point of each calendar quarter.

One advantage of ROC's corporate philosophy of communicating frequently and forthrightly with its shareholders is that the section of the Quarterly Report designated for the Chief Executive's Report can address broader issues. In this context, there are five key points which shareholders should focus on at the moment and these may be summarised as follows:

- The 32% slide in ROC's share price during the first quarter of 2000 does not bear any relationship to the strength and the wellbeing of the Company. As this Quarterly Report compellingly demonstrates, ROC is roaring along in terms of all the financial fundamentals that many investors would judge to be the key criteria for determining whether or not a company is performing in a satisfactory manner.

- ROC's financial fundamentals have developed very much in line with the Company's strategy which is designed to ensure that ROC achieves the 2000 profit forecast enshrined in its Prospectus. With the first quarter behind it ROC is on track to achieve this goal.

- In previous communications to shareholders it has been emphasised that it is not in ROC's corporate nature to sit around bemoaning a soft share price and an indifferent to negative stock market sentiment. Our preference has always been to go about our business to the best of our ability in the belief that if we continue to chalk up good results then the value of the company will become self-evident. The results contained in this Quarterly Report are an integral part of that process.

- During recent months ROC's management has had very constructive discussions with a number of shareholders, both institutional and retail. In such situations management's comments are necessarily confined to information that is already in the public domain, but the Company has benefited from the unsolicited comments it has received from shareholders as a result of this direct two-way communication which, ROC would like to believe, is fast becoming a hallmark of the Company. One of the more curious aspects to emerge from conversations with shareholders is the extent to which a number of shareholders had been provided with various unsubstantiated comments about the Company which temporarily influenced their perception of ROC. Fortunately, after discussions with ROC's management, the inaccurate and misleading nature of the comments became apparent. One of the more lurid examples is that a number of shareholders had been led to believe that ROC's Directors had supposedly sold their shares shortly after the Company's public listing. Needless to say, nothing could be further from the truth. ROC realises that baseless comments frequently attach themselves to a company with an under-performing share price so it is important that all shareholders realise that the Company welcomes feedback from shareholders because, regardless whether inaccurate comments are unwittingly or deliberately misleading, the reality of any particular situation in the public domain can be quickly clarified through direct contact with ROC's management.

- One of the characteristics of a growing exploration and production company is a constant desire to improve the quality of its asset base. This process of value creation is usually achieved by developing a company's core assets so that they realise their full potential and monetising the peripheral, low margin, assets to which value cannot readily be added. When this process is working properly a company will find that the assets which it today regards as being prime will, in the future, become peripheral as the quality of its portfolio is continually upgraded. ROC constantly applies these strategic principles to its portfolio of assets not only in the UK but also elsewhere in the world. This is why, for example, the Company now has exploration interests in deep water areas offshore Equatorial Guinea rather than offshore Malta. This form of proactive portfolio management is one of the essential prerequisites for success in today's fast-changing oil industry and it is a process to which ROC devotes a considerable amount of corporate thought. As the year progresses ROC hopes that the benefits of its focus on portfolio management will become very apparent to its shareholders and the market in general.

# 3. PRODUCTION

## 3.1 OIL & CONDENSATE PRODUCTION

### 3.1.1 UK Onshore (ROC 100%)

UK onshore production during the Quarter totalled 200,995 bbls (2,209 BOPD), down 14,221 (6.6%) on the previous quarter. In addition, 92,302 bbls (1,014 bpd) of condensate was produced at the Saltfleetby Gas Field.

Oil production from the Welton area oilfields averaged 2,098 BOPD, down 6% from the 2,226 BOPD achieved in the previous quarter. The decline was broadly in line with trend, but was exacerbated slightly by some water injection and other operational problems. Towards the end of the period one well was subjected to a successful fracture stimulation which provided an immediate production increase of more than 100 BOPD.

Oil production from the Keddington Field averaged 76 BOPD, down 8% on the previous quarter, due to the need for a workover on the one producing well in the field. Production from the well is now steady and during March averaged 81 BOPD.

### 3.1.2 UK North Sea – Claymore and Blenheim (ROC: 0.4605% and 0.3410%)

Production net to ROC from the two small offshore producing interests amounted to 15,379 bbls (169 BOPD). Claymore production levels held substantially level through the quarter. From 1 May 2000 the field will have a new operator, a subsidiary of Talisman Energy Inc, which has proposed an active programme of new drilling and recompletions for the Claymore Field in the near future. Blenheim's oil rate continued its established decline and is to be abandoned on 1 May 2000 when the floating production facility servicing the field is due to move to start the Extended Well Test ("EWT") at the Kyle Field in which ROC has a 12.5% interest. Blenheim only been contributed 10 or less barrels per day to ROC's production through the Quarter.

## 3.2 GAS PRODUCTION

First gas production from the Saltfleetby Gas Field occurred in December 1999 and production throughout the First Quarter 2000 was steady to meet contracted peak rates, averaging 49 MMSCF/D of gas with more than 1,000 bbls/d of condensate. In maintaining its peak rate, the field outperformed Prospectus expectation, and was able to take maximum advantage of the high gas prices obtained during the British winter pricing period. The four horizontal production wells at Saltfleetby all performed well throughout the Quarter and there was no measurable water production.

Saltfleetby production is now expected to come off plateau during the second quarter of 2000 coincident with the lower gas prices which prevail through the British Spring and Summer periods.

## 3.3 RESERVES

Independent consultants, RDS Resource Limited (RDS) and Adams Pearson Associates Inc, conducted an end-1999 review of ROC's UK onshore and offshore reserves respectively. As a result, the company's proved reserves as at end 1999 were up 0.7 MMBOE (5%) to 14.0 MMBOE compared to the equivalent figure at the date when ROC acquired its UK assets, 29 July 1999. This net increase is after taking into account production of approximately 0.54 MMBOE between the date of the asset acquisition and year end.

The increase in proved reserves is largely due to an increase in the proved reserves at the Saltfleetby Gas Field based upon a review of the latest seismic and drilling data which was undertaken subsequent to the issue of ROC's Prospectus. ROC's end-1999 proved reserves represents a gas:oil split of 47:53.

ROC's proved and unrisked probable gas reserves at end-1999 stood at 33.5 MMBOE following a corporate decision to adopt a conservative attitude towards the gas accumulation at Eskdale. This resulted in the reclassification of the Eskdale gas as "possible reserves" rather than "probable reserves" as designated in the RDS report. In effect, this prudent approach reduced ROC's unrisked probable reserve by 4.2 MMBOE (22%) from the equivalent figure at the time the assets were acquired. If ROC had chosen to adhere to the independent expert's probable reserve figure for year end, the company's unrisked probable reserves would have been within 10% of the equivalent figure at the time the assets were acquired.

There has been some discrepancy between the condensate yield figures provided to ROC by the Theddlethorpe Processing Plant and the equivalent figures calculated from early well tests at the Saltfleetby Gas Field which form the basis for RDS' condensate reserve figures for that field. This discrepancy is expected to be clarified in May, but, in any event, the difference in the condensate yield only represents a relatively minor amount equivalent to less than 2% (up to 0.6 MMBOE) of the company's total proved and unrisked probable reserves.

# 4 DEVELOPMENT

## 4.1 UK ONSHORE

### 4.1.1 Saltfleetby Gas Field (ROC: 100%)

The Salfleetby site facilities are complete after recently commissioning the B site test separator. The test separator is providing good individual well data measurements that are in line with total field gas production being reported by the Conoco operated Theddlethorpe Gas Terminal.

### 4.1.2 Keddington Oil Field (ROC: 100%)

An upgrade of the existing site process facilities has commenced to enable previously vented gas associated with the oil production to be recovered for power generation. This will achieve both environmental and economic advantages through reducing emissions to the atmosphere and reducing site fuel costs. The modified process facilities are sized to enable the Keddington-2 well, currently being drilled, to be tied into the process facilities without further modifications.

## 4.2 UK NORTH SEA

### 4.2.1 Kyle Oil Field (ROC: 12.5%)

Plans for extended production testing and full life-of-field production options progressed significantly during the Quarter.

Consent was obtained from the UK Department of Trade and Industry (DTI) for a 130-day EWT on the previously drilled and tested 29/2c-12z horizontal well. The EWT will utilise the Petrojarl-1 vessel owned by Golar Nor. This vessel has been on the Blenheim Field for the last five years and leaves there for dry dock on 1 May 2000 for inspection and certification. First oil from the EWT is scheduled by 1 June 2000. Maximum permitted production from the EWT is 1.7 million barrels of oil and 1.65 billion cubic feet of gas.

If sustainable oil production is established from the 29/2c-12z well in the southwest sector of the Kyle Field, and subject to satisfactory negotiated agreements with identified parties for a Life of Field development, a northeast Kyle flank appraisal well is scheduled to be drilled later in 2000 in an effort to establish reserves in this part of the structure.

Negotiations are continuing with relevant parties regarding the tie-back of the Kyle Field for Life of Field production.

### 4.2.2 Chestnut Oil Field (ROC: 17.75%)

In March 2000, a Letter of Intent between the Chestnut Field operator, Premier Oil Exploration Limited (“Premier”), and contractor Brovig Production Services Limited (“Brovig”), was signed for a two-phased development of the Chestnut Field. Phase 1 comprises an EWT from a new horizontal well to be drilled in the field later this year. Phase-2, which is dependant upon a successful Phase-1, will be a Life of Field development, which may either be by way of a floating production system, or by sub-sea tie-back to nearby infrastructure, depending on the reserve size determined from the EWT in Phase 1.

#### 4.2.3 Blane Oil Field (ROC: 14.48%)

Petrobras UK Limited (Petrobras), the Blane Field operator, has been considering solutions for Life of Field production from the Blane Field. A small portion (initial estimates suggest 5%) of the field lies in Norwegian waters, so that ROC expects to have a working interest in the field of approximately 14.48%, derived from the Company's 15.2446% interest in Block 30/3a on the UK side of the median line. Petrobras has initiated discussions with the operator of Block N1/2 in Norwegian waters, regarding unitisation of the field.

### 4.3 INTERNATIONAL

#### 4.3.1 Mongolia (ROC: 100%)

ROC successfully continued oil production through the Mongolian winter generally producing between 130 and 150 BOPD during the Quarter under review. As of late April ROC had approximately 28,000 barrels of oil in storage at its field facility at Zuunbayan in the Gobi Desert awaiting export sale to China, scheduled for mid-2000.

## 5 EXPLORATION

### 5.1 UK ONSHORE (ROC: 77% TO 100%, GENERALLY 100%)

The Company has focussed attention on certain key areas among its 21 onshore UK licences, with significant effort being made with regard to the interpretation of newly acquired seismic data in the Humber Basin within which the Saltfleetby and Keddington fields are located. The current work programme is aiming to produce viable drilling locations for end year 2000.

#### 5.1.1 The Humber Basin (ROC: 100%)

The Saltfleetby 3D seismic data has been reprocessed and merged with the Salteast 3D seismic data. This information, together with the existing 2D seismic data and the available well information, form the basis of a major ongoing geological and geophysical study of the basin. The objective of this study is to high grade areas of prospectivity for future drilling locations in this high potential, under-explored, basin.

#### 5.1.2 North Yorkshire (ROC: 100%)

Initial interpretation work on the recently purchased 507km of 2D seismic data over PEDL030 has indicated the presence of a previously unidentified closure with potential for gas in several horizons. Further work is underway to evaluate the seismic over the remainder of the licence and additional ROC acreage (PEDL004 & PEDL031) further to the south.

### 5.2 UK NORTH SEA (ROC: 10% OF 30/22B)

ROC farmed into the 30/22b-2 exploration well, which was drilled in March to a Fulmar sandstone target which was recognised as moderately high risk. The risk was mitigated by the relatively low cost of the well and, in fact, the well was completed considerably below budget in just 19 days after failing to find hydrocarbons.

## 5.3 INTERNATIONAL AREAS OTHER THAN UK

### 5.3.1 Morocco (ROC: 100%)

During the Quarter ROC continued to evaluate the prospectivity of its Reconnaissance Licence in Morocco and it initiated discussions with third parties with regard to a possible farmout of the acreage.

The Moroccan Government has agreed to extend the expiry date of the Reconnaissance Licence by four months to 31 July 2000 to enable additional technical assessment of the acreage.

### 5.3.2 Mongolia (ROC: 100%)

As a result of ROC undertaking an intense, multi-faceted, exploration program during the last two and a half years the Company has identified numerous prospects and leads which have a collective oil-in-place potential considerably in excess of a billion barrels of oil. One of the company's primary near term objectives is to implement a strategy that will enable it to conduct the most cost and risk effective evaluation of this potential. One alternative being considered is to introduce a third party that will share the exploration risk associated with drilling several exploration wells to test various play types during the latter part of 2000.

### 5.3.3 Australia, Perth Basin (ROC: 45% to be earned via farmin)

On 24 February 2000 ROC exercised its option to acquire a 45% interest in WA-286-P in the offshore Perth Basin by contributing 60% to the cost of the next well to be drilled in that permit. As part of this farmin process ROC was appointed permit Operator and, by the end of the Quarter, the Company was focusing its attention on the preparatory work required for the scheduled drilling of an exploration well in the permit in late 2000/early 2001.

### 5.3.4 Senegal (ROC: 92.5%)

During the Quarter ROC continued its technical review of the 8187 sq km area which it operates offshore Senegal, West Africa.

# 6. CORPORATE

## 6.1 PATRIA RESOURCES LIMITED

As advised in ROC's release to ASX on 11 January 2000, Patria Resources Limited has been ordered by the court to pay an amount of £76,000 to ROC. ROC received its first payment of £25,000 on schedule at the end of February 2000.

## 6.2 WEBSITE

During the Quarter Roc's website www.rocoil.com.au recorded 69,381 hits and 5,287 sessions. "Sessions" being occasions where one or more of the website pages have been opened.

## 6.3 RECEIPT OF SHARES IN ADAIR INTERNATIONAL OIL AND GAS INC.

On 8 March 2000 ROC announced in a release to ASX that Adair International Oil and Gas Inc. ("Adair") had agreed to provide ROC with 100,000 Adair shares as a result of a transaction which ROC undertook when it was a privately-owned company in relation to exploration areas in Yemen whereby it allowed one of the current shareholders of

Adair to utilise information owned by ROC as part of a farm-out exercise. That farm-out exercise has been successfully completed through the introduction of Adair into the relevant exploration acreage in Yemen and also by the introduction of Occidental Petroleum into the same permit. Half the Adair shares to be issued to ROC will be escrowed for six months and the other half will be escrowed for 12 months. Adair is a publicly listed US oil and gas company with an issued capital of 51 million shares as of the start of 2000. Adair has announced that it intends to be fully listed on the NASDAQ by late 2000. As of 25 April, Adair shares were trading at US$0.82.

### 6.4 SYNDICATION OF BARCLAYS BANK CREDIT FACILITY

On 24 February 2000 ROC announced to ASX that it had been advised by Barclays Bank plc that the company had successfully syndicated ROC's US$50 million credit facility to a consortium of three banks: the Bank of Scotland, Bayerische Landesbanke and Christiana Bank. The terms of the facility, which is not fully drawn down, remain unchanged.

## 7. POST QUARTER EVENTS

### 7.1 POTENTIAL DEVELOPMENT OF THE CHESTNUT OIL FIELD, NORTH SEA (ROC 17.75%)

On 6 April 2000 ROC announced to ASX that Brovig, a wholly owned subsidiary of Brovig Offshore ASA and Premier on behalf of the co-venturers in Block 22/2a in the UK North Sea signed a Letter of Intent for the provision of services for the development and production of the Chestnut Field. The parties are now finalising the full agreement. It is anticipated that the Chestnut Field will be developed in two phases, the first one of which will comprise a production test of a newly drilled horizontal producer with sub-sea completion. The second phase will involve the drilling of a water injection well to further enhance production subject to the results of the first phase. Subject to receipt of regulatory consents and approvals first oil is expected to flow from the Chestnut Field in the fourth quarter of 2000.

The potential development of the Chestnut Field is running ahead of ROC's Prospectus forecast which did not envisage any Chestnut Field development activity until 2001 at the earliest.

### 7.2 POTENTIAL DEVELOPMENT OF THE BLANE OIL FIELD, UK NORTH SEA (ROC 14.48%)

On 19 April 2000 ROC announced to ASX that Petrobras, as Operator for and on behalf of the Blane Joint Venture, had formally invited contractors to tender for the potential development of the Blane Field in the central part of the UK North Sea.

In a public notice to contractors, Petrobras provided a number of comments with regard to the Blane Field Development Project including the following.

- Petrobras recognises that there are a number of ways by which the field could be developed and it has advised contractors that it intends to select the optimum concept through a tendering process.

- The field lies in 74 metres of water and contains reserves of 15 - 40 MMBO of 42° API oil which will be developed with 2 - 5 wells. A 1 - 3 year oil production rate of 15,000 - 25,000 BOPD is forecast together with 6 - 10 MMSCFD of associated gas. The field will require water injection and artificial lift. First oil is planned for early 2002 and a field life of 3 - 8 years is expected.

- Petrobras and its co-venturers intend to enter into a risk-sharing and/or performance-incentivised contract with one or more contractors and/or consortia, which are able to demonstrate significant relevant experience, technical and innovative expertise, appropriate resources and the financial capability to develop the field.

This necessary first step towards the potential development of the Blane Field is running ahead of ROC's Prospectus forecast that the field would probably not be subject to any development activity before 2005. Also, ROC's Prospectus' estimate of 15.5 MMBO unrisked probable reserves at Blane is at the low end of the 15-40 MMBO reserve range quoted by the field operator.

### 7.3 ACQUISITION OF DEEP WATER EXPLORATION INTERESTS OFFSHORE EQUATORIAL GUINEA, WEST AFRICA (ROC: 60%)

On 14 April 2000 ROC announced to ASX that it had executed a farmin agreement with Atlas Petroleum International Limited and Osborne Resources Limited (collectively "the Atlas Group") with regard to Blocks H15 and H16 ("the Blocks") in the Rio Muni Basin, offshore Equatorial Guinea.

As a result of the farmin ROC will acquire a 60% interest in consideration for which it will reimburse the Atlas Group's past costs to a total cash amount of US$4 million. ROC will also provide the Atlas Group with a work program carry through 100% of the cost of the pre-drill seismic and 70% of the cost of the first exploration well together with 100% of the cost of other, relatively minor, statutory fees that will fall due during the carry period. In certain beneficial circumstances ROC anticipates that it will reduce its equity to a level between 60 and 35% with the exact magnitude of the reduction being related to details which are yet to be finalised. ROC will act as the Technical Partner while the Atlas Group will continue to be the designated Operator of the Blocks. The Blocks cover 1652 sq km/0.4 million acres and lie approximately 90 km along regional geological trend to the north of the Ceiba Field, discovered by Triton Energy Limited in October 1999. The discovery of the Ceiba Field confirmed a new play concept in the area and directed the attention of a number of international oil companies to the petroleum potential of the deep water parts of the Rio Muni Basin. ROC is pleased to have been able to establish an on-trend acreage position in a part of West Africa which is probably going to be the scene of considerable industry activity during the next several years.

### 7.4 ACQUISITION OF AN OPTION RELATING TO DEEP WATER EXPLORATION INTERESTS, OFFSHORE MAURITANIA, WEST AFRICA (ROC: 2.0 – 2.7%)

Also on 14 April 2000 ROC announced to ASX that it had entered into a new agreement with all the shareholders of the privately-owned Elixir Corporation Pty Limited (Elixir) whereby ROC acquired an option to purchase all the issued capital of that company the sole asset of which is its 2.0% to 2.7% interests in exploration acreage, offshore Mauritania. An initial option fee of US$200,000 was paid to Elixir shareholders. ROC has the right to extend the option into 2003. In the event that ROC decides to exercise the option ROC would be required to provide Elixir's shareholders with a cash and share consideration that will be based on a sliding scale whereby the later the option is exercised the larger the cash and share consideration, up to a maximum of US$2.9 million in cash and an equivalent value of ROC shares. In the event of the first oil flow in excess of 2000 BOPD, or a declaration that a gas discovery is commercial, ROC will provide Elixir's shareholders with a further cash and share consideration equivalent to approximately half the amount of the option exercise price.

As a result of separate agreements with several companies, Elixir's interests in Mauritania are subject to a number of free carries through a variety of current and potential work program expenditures including the anticipated drilling of at least one – and possibly as many as three – exploration well(s). These wells are expected to test the main play concept being pursued by Elixir which is based upon geological analogies with giant oil fields which have been discovered in deep water areas elsewhere off the West African coastline during the last five years.

## 7.5 KEDDINGTON-2

The Keddington-2 well, which commenced drilling on 12 April 2000, is the first appraisal/development well in the Keddington Field. It is scheduled to reach a Total Depth of 2700 metres (2194 metres TVD) including a 400 metre horizontal section within 55 days.

## 7.6 CRUDE OIL PRICE HEDGING

On 4 April 2000 ROC entered into a crude oil price hedging agreement with Barclays Bank to hedge 1,000 BOPD of UK oil production (272,000 bbls) for the remainder of the calendar year 2000 at a Brent oil price of US$23.12 per bbl. This hedge price - which is better than that which could be obtained in late April - is in addition to the existing crude oil price hedge of 1,000 BOPD for calendar year 2000 at a Brent oil price of US$14.35 per bbl entered into by the previous owners of the UK assets. Approximately one third of ROC's current oil and condensate production - 83% of the Company's total gas and liquid production - remains unhedged and the Company does not have any current intention of increasing its hedging position.

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## FURTHER INFORMATION

For further information please contact ROC's Chief Executive Officer, Dr John Doran on:

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***Definitions:***

| | |
|---|---|
| "BBLS | means barrels |
| "BOE" | means barrels of oil equivalent |
| "BOPD" | means barrels of oil per day |
| "BCPD" | means barrels of condensate per day |
| "MCF" | means thousand cubic feet per day |
| "mmscf/d" | means million standard cubic feet per day |
| "mmbo" | means one million barrels of oil |
| "OWC" | means oil-water contact |
| "Quarter" | means the period 1 January 2000 to 31 March 2000 |
| "ROC" | means Roc Oil Company Limited |