Roc Oil Company Limited (ASX: ROC)

Company Description:

Roc Oil Company Limited (ROC) is one of Australia's leading independent upstream oil and gas companies. Incorporated in Australia, ROC listed on the Australian Securities Exchange (ASX) in 1999. ROC currently has approximately 682.5 million shares on issue. The company has a global workforce of approximately 180, located mainly in the Sydney and Beijing offices. ROC's strategy for growth and providing positive shareholder returns is based on leveraging its unique set of competitive advantages and distinctive industry position to generate opportunities, capture value, deliver excellence, and enhance effectiveness.

Click here to access the company's 2011 Annual Report

Operations:

ROC's assets are located in China, Australasia, South East Asia and the UK. Chinese and Australian assets provide around 75% of production and revenue, as well as almost 90% of 2P Reserves. In 2011, ROC divested its non-core African asset portfolio, retaining only a 20% interest in Block H, offshore Equatorial Guinea. ROC is operator of the following production assets:

- Cliff Head Oil Field, offshore Perth Basin, Western Australia; and
- Zhao Dong C&D Oil Fields and C4 Oil Field, Bohai Bay, offshore China.

ROC is also the operator of the following development, appraisal and exploration assets:

- Balai Cluster Risk Service Contract (through a 48% interest in BC Petroleum);
- Beibu Gulf, China, exploration activity.

Recent Developments:

In 2011, ROC delivered against the objectives set as part of our renewed strategy to generate growth. We captured new business in Malaysia, expanded the existing business in China, exited noncore African assets and generated ROC’s first profit (US$28 million) in six years. In 2011, ROC was awarded a Risk Service Contract (RSC) for the Balai Cluster of fields, offshore Sarawak in Malaysia – only the second such contract awarded in the country. Securing the RSC supports our view that ROC has the operational experience and technical capabilities to assist in the development of marginal fields and also vindicated the strategy of actively pursuing such opportunities.

ROC’s relationship with our Chinese partners has the potential to provide significant value growth for the business. In 2011, ROC engaged with our Chinese partners to assess new acreage and exploration opportunities in China. ROC was awarded two blocks adjacent to the existing Zhao Dong asset, increasing our acreage position in the Bohai Bay by 150%. While exploration remains an important element of ROC’s activities, in 2011 we refreshed the exploration portfolio by exiting our African assets and focusing on hydrocarbon provinces within our focus region, where costs are expected to be lower and timeframes to generate cash flow from any discoveries are shorter.

In 2011, ROC posted its first profit since 2005. The performance of the underlying business was solid: production targets were achieved (2.7 MMBOE); costs were successfully contained (opex was US$17/BOE); and expenditures were controlled (capex incurred was US$47 million). ROC also continues to enhance the existing reserve base (2P reserves at the end of 2011 were 15.1 MMBOE). An example of our ability to extract more value from the assets in the portfolio is the end of year reserve increase at Zhao Dong, which represented a 78% replacement of 2011 production.
Continuing to build on our reputation as a responsible and capable operator is critical if we are to grow the business, especially given industry incidents over the past few years. In 2011, we improved our performance with regard to the safety of ROC's people and contractors, the environment and surrounding communities: we experienced no Lost Time Injuries during the year; loss of containment incidents were reduced by 25%; and the Asset Integrity Management System was implemented. We have again made a considerable effort to transparently report all of our health, safety and environment ('HSE') and community engagement activities for stakeholders.

**Resources / Reserves Estimates:**

2P Reserves of 15.1 MMBOE (as at 31 December 2011)
The reserve and resource information contained in this report is based on information compiled by Bill Billingsley (Chief Reservoir Engineer). Mr Billingsley BSc (Chem) MSc (Petroleum Engineering) DIC (Imperial College), who is a member of the Society of Petroleum Engineers, has more than 16 years relevant experience within the industry and consents to the information in the form and context in which it appears.

**Future Outlook:**

Looking ahead, 2012 will be another important year for ROC, as the predevelopment phase of the Balai Cluster RSC progresses, a second appraisal well is drilled in the expanded Zhao Dong acreage and exploration/appraisal wells are drilled in conjunction with ongoing Beibu Gulf development activities. We are also hoping to secure further growth opportunities in China, South East Asia and Australasia.

Replicating the Company’s 2011 performance again in 2012, by securing further growth projects, is an important objective. The new ventures and business development team utilises a rigorous screening process, combining disciplined commercial and technical modelling to ensure that potential opportunities are fully aligned with ROC’s renewed strategy and growth objectives. The types of growth opportunities ROC is pursuing include:

- Shallow water exploration and appraisal projects in Malaysia;
- Mature field rejuvenation projects in Malaysia;
- Exploration and appraisal positions in additional acreage offshore China and new acreage onshore China;
- Build an exploration position in an underexplored hydrocarbon province in South East Asia, in lower cost onshore or shallow water acreage; and
- Assess pre-development, development and production opportunities in Australia.

**Presentation by:**

Alan Linn

Chief Executive Officer

Alan Linn (Eng MiChemE) joined ROC in January 2008 as Asset Manager - Africa and in October 2008 was appointed Chief Operating Officer. Mr Linn was appointed as Acting Chief Executive Officer on 29 October 2010. Mr Linn was appointed as Chief Executive Officer on 23 February 2011. Mr Linn is a chartered chemical engineer with 30 years of international operational and joint venture management experience in both the upstream and downstream oil sectors. Mr Linn spent 15 years working with EXXON/Mobil in both downstream and upstream assignments in the UK and USA before moving into the independent E & P oil sector working internationally for LASMO, Cairn Energy and Tullow in senior operational and business management roles. Before joining ROC, Mr Linn was Operations Director for African Arabian Petroleum, a privately owned E & P company headquartered in Dubai. Based in Tunisia, Alan was responsible for all operational and engineering activities within the business' African focused portfolio.

**Contact Details:**

**Correspondence Address:** PO Box Q1496, Queen Victoria Building, NSW 1230, Australia
**Phone Number:** +61 2 8023 2096
**Email Address:** mgerber@rocoil.com.au
**Website:** www.rocil.com.au

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