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London AIM-Listed Black Rock Oil & Gas Is Not Just The Cash Shell As It Seemed, There Are Some Live Oil And Gas Assets In There

When is a cash shell not just a cash shell? When it is Australian group Black Rock Oil & Gas, it now seems.

Black Rock first came up on oilbarrel.com's radar some three years ago when it assembled a number of licences onshore in southern England - in West Sussex, the Isle of Wight and Dorset. It intended to pursue exploration for both conventional and non-conventional oil and gas accumulations using established and new technology.

The then managing director Dr John Scott is an expert on self-sourcing reservoirs. A continuous pool is a thermally mature source rock that has generated sufficient permeability to allow commercial production. To get to the oil, the source rock has to be fractured. Black Rock wanted to pioneer the use of new 3D processed potential fields data (FracWormer technology), particularly gravity and magnetic data in oil and gas exploration in southern England.

By way of diversification, Black Rock seized on an opportunity closer to home. With Aberdeen based Dana Petroleum and others, Black Rock became involved in the WA-226P licence in the North Perth Basin, offshore Western Australia. After various farm outs Black Rock was left with a partially carried 7.5 per cent interest. The prospectivity of this region had been enhanced in the past few years by discoveries at the Cliff Head and Hovea fields. The WA-226P licence is located to the north of Cliff Head and Hovea, and is geologically on trend with these fields.

Black Rock also reach conditional agreement to acquire the entire issued capital of Afrex, a company incorporated in the British Virgin Islands focusing on oil and gas exploration in Africa and the Mediterranean. Thus Black Rock was looking forward to first production in Australia, and some interesting exploration prospects in Africa and around Malta and Tunisia. Also, there were the assets in the UK. This was all in 2002.

Then it began to unravel. The deal with Afrex fell through. Unable to raise money in Australia because of the poor investment climate in Oz at that time, Black Rock decided to take a safe option and sold its stake in WA-226P to Norwest Energy for shares exercisable in 2003 and 2004. In the event the first well drilled on WA 226P, the Morangie-1 well, came up dry.

In the UK, foot and mouth disease and planning difficulties meant that Dr Scott's theories on non conventional drilling in the south of England have yet still to be tested.

Black Rock spent most of 2003 disposing of assets, notably its interests in the UK, and slimming down. Just before Christmas, managing director David Steinepreis told oilbarrel.com. "Everyone seems to have forgotten about Black Rock, but we are in a good position to go forward. We still have our AIM listing. We have money in the bank, no debt and no exploration spending to account for." At that time Black Rock had £300,000 in the bank.

But Black Rock had not quite sold all its assets. It still had some licence interests in southern England, which everyone seems to have forgotten about. Like an old painting in the attic which the owners thought was worthless but turned out to be worth a fortune, Black Rock's vestigial interests in the UK might, just might, make some real money for it.

Late last year Black Rock announced it was farming out 5 per cent interests in the UK onshore oil exploration licences PEDL 098, 099 and 113. These licences cover most of the Isle of Wight and the area inland from Portsmouth. The interests in the licences are to be earned by the contribution by Hereward Ventures of a 10 per cent share of future costs which will include an appraisal well to test a logged oil accumulation which is expected to be drilled on the Sandhills-2 prospect on PEDL 113 on the Isle of Wight during 2004.

Interest in onshore exploration in the UK has revived because of the success in 2003 of the Avington-2 well near Winchester in Hampshire. The well, in which UK groups Egdon Resources and Northern Petroleum were involved, found 100 million barrels. Not a lot of this is recoverable, say, between 10 and 15 per cent, but for small companies it is not small potatoes. Egdon has had a drilling disappointing since then but Derek Musgrove, the managing director at Northern, which is the majority partner and will be the operator of Sandhills-2, is very excited by the prospect.

BG's Sandhills-1 well southwest of Cowes on the Isle of Wight was drilled in 1982 but was never tested because at that time the Greater Oolite formation was not considered to be a viable formation. Northern has developed technology which it hopes will unlock the complex geology.

The well targets both the Greater Oolite, which is a difficult limestone, but also the Triassic Sandstone Formation, where recovery prospects are better. Wytch Farm, once the largest onshore field in western Europe, was a Sherwood Sandstone play. Part of this field is as close as 15 kms to the west of PEDL 098.

It is thought there could be 300 million barrels of oil at Sandhills. Total success

would mean 15 million barrels to Black Rock. Valuing the oil at £1 a barrel would mean £15 million to Black Rock. Its current market capitalisation is around £1.6 million. But this is the stuff of dreams, and not reality at the moment. You never know until you drill. Also, as we have said, recovery rates are not great onshore the UK. But any kind of find would be significant for Black Rock.

Back in Australia, Ivan Burgess, who was with Norwest Energy, has joined David Steinpreis at Black Rock. He is well known explorer and is currently looking at possible deals in the highly prospective Cooper Basin in central Australia.