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26 April 2004

London AIM Quoted Black Rock Oil & Gas Hopes Wells Planned For The Isle Of Wight Will Be Company Making For It As Well As For Northern Petroleum And Hereward Ventures

We wrote recently that oil wells which are planned for the Isle of Wight in southern England could turn out to be company makers for London listed Northern Petroleum and mining group Hereward Ventures.

This could turn out to be equally true for Aussie junior Black Rock Oil & Gas which is also listed on AIM. Many investors had Black Rock as a small cash shell doing very little after a planned expansion into Africa went wrong.

The company divested assets including a number of holdings it held onshore southern England. But what everyone forgot was that after selling a 5 per cent stake to Hereward Ventures in PEDLs 089, 113 and 098 on the Isle of Wight in return for Hereward meeting 10 per cent of the costs of a first well, Black Rock was still left with a 5 per cent free carried interest in the licences.

These licences are the most immediately interesting of the patchwork of assets Derek Musgrove at Northern has assembled in southern England. Northern has acquired stakes in 13 licences in south England.

Wytch Farm, discovered in the 1970s, was once the largest onshore field in Europe with 450 million barrels. Exploration activity dropped off for a while, but there was a revival of interest last year with the success of the Avington-2 well near Winchester in Hampshire. The well, which was operated by Pentex and involved Egdon Resources and Northern, discovered 100 million barrels of oil in place. Not a lot of this was deemed recoverable, only perhaps 10 to 15 per cent, but when you have no production, which was the case with Egdon, this is significant. Northern had 5 per cent of this well on licence PEDL 070. Musgrove felt that Northern should try and get critical mass in southern England. In its 13 interests he has stakes ranging from 10 to 70 per cent and he has acquired the operatorships where possible. He plans a four well programme this summer.

The immediate focus are the licences on the Isle of Wight. Musgrove has convinced himself there could be some big oil to be found there. In 1982 BG, which was then British Gas, found oil in the Jurassic Greater Oolite formation with its Sandhills-1 well on PEDL113, west of Cowes on the Island. The well was never tested because at that time the Oolite was not considered to be a viable reservoir. It is a difficult limestone reservoir with uncertain recovery rates. However, Northern has developed a new interpretation of the Oolite which it hopes will unlock the complex geology. Northern has 57.5 per cent of the licence. Hereward has the 5 per cent it bought from Black Rock, and Black Rock has the carried 5 per cent.

It is thought there could be 49 million barrels of oil probable in place in the Greater Oolite formation with 76 million barrels possible. With recovery rates of 20 per cent possible this could mean 15 million barrels of oil to share. When you have no production and a market capitalisation of around £1.5 million, like Black Rock, any find at all could be

company making.

Northern and Hereward are hoping for even greater things from the licences 089a and 089b across the narrow stretch of water between the Isle of Wight and Hampshire. There is a Triassic Sherwood Sandstone prospect underneath the Greater Oolite. Wytch Farm is a Sherwood Sandstone Reservoir. It is twenty miles from the PEDL 089 licences. It is thought there could be 300 million barrels of oil in place with one third recoverable. Although Black Rock is not directly involved in these licences at present, it has farmed into 10 per cent of licences PEDL 125 and PEDL 126 further to the north onshore the UK. Northern as operator plans a well on PEDL125 later in the summer.

Since Ivan Burgess joined Black Rock from Norwest earlier this year the company has been active on other fronts. The group has secured a farm in agreement with Magellan Petroleum on two Cooper Basin permits in Australia. Black Rock is to take 15 per cent of Petroleum Exploration Licence PEL N0 94, 10 per cent of PEL N0 110 in the South Australian basin, with the transaction subject to Black Rock listing on the ASX.

The company will then fund part of the cost of the 85 km Malleus 2D seismic survey in PEL 94 and part of the cost of the next wells in each of the two permits to earn the interests. Magellan currently holds a 50 per cent interest in PEL 94 and 37.5 per cent interest in PEL 110. Black Rock will thus be involved in four wells this year and possibly six. Not bad for a sleeping shell.

The company recently said it was raising £250,000 through a placing of shares at 1.25p a share to help cover the cost of the Australian drilling. If it wants to expand its UK interests, and it does, it will probably need to raise some more cash soonish.