

Seismic reflections

Falklands' turning point?

Future development of the Falklands came one step closer last month, when, for the first time, commercial rates were delivered during a well test in the region. With a stable rate of over 5,500bopd from the latest Sea Lion appraisal well, any doubts that it is possible to produce at such rates in the North Falkland Basin should now be put to rest.

Commercial rates

Rockhopper's Sea Lion discovery is located to the north of the Falkland Islands. With sediments here deposited in a lacustrine environment (ie lakes within a rift valley), doubts surrounding the viability of achieving commerciality have tended to focus on the flow rates seen in the analogous area of Rajasthan where there is an established production history and where average rates typically hover around 1,000-2,000bopd. With the rate from the latest Sea Lion test coming in at 5,500bopd, almost three times the upper end of this range, this argument should now be considered resolved. Work will now turn to establishing economic volumes, however it should be noted that Sea Lion's current low case volume of 155mmbbls is comfortably economic based on basic economic analyses published by both Rockhopper and other companies involved in the exploration of the basin.

Wax under control

The presence of waxy crude in the field was another issue that concerned the doubters, since the production of such oils often require the injection of downhole chemicals and heating of flowlines, thereby adding to the complexity and cost of development. These concerns can now be discounted, as the use of special insulated tubing during the test kept the crude temperature sufficiently high such that no wax was seen throughout the test.

Busy outlook

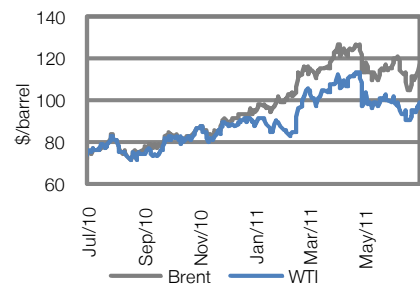
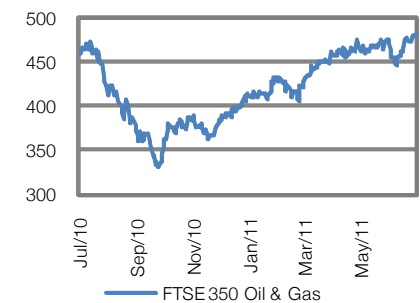
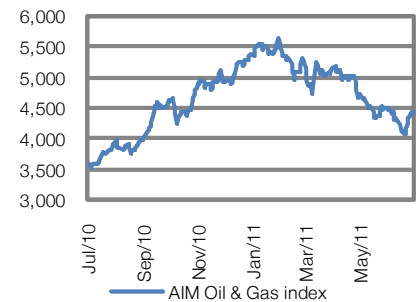
Entirely positive news then for Rockhopper and indeed for other operators in the Falkland Islands, with almost all the players likely to be drilling in the next 12 months. Rockhopper continues to delineate the Sea Lion field, with a further three appraisal wells planned in 2011. Argos Resources has recently confirmed its objective to drill in late 2011/12 using the Ocean Guardian rig currently drilling Sea Lion. Meanwhile, in the South Falklands Basin, Borders and Southern has secured a harsh environment rig that is likely to be mobilised in October 2011 to drill two wells. FOGL has signed a contract with Borders for the third and fourth well slots, likely to drill in H112. In the Southern Basin the geology is quite different to that of the north, with the deposits occurring in a marine environment. As such it is anticipated that any discoveries here could be an order of magnitude greater than those in the north.



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Exhibit 1: Best and worst performers

		1 week	
No.	Best performers	% change	No. Worst performers % change
1	XCITE ENERGY	50.1%	1 INDEPENDENT RESOURCES (10.2%)
2	PRESIDENT PETROLEUM	37.0%	2 BANKERS PETROLEUM LTD (9.1%)
3	FRONTERA RESOURCES CORPORATION	17.4%	3 GREEN DRAGON GAS (8.8%)
4	ENDEAVOUR INTERNATIONAL	16.0%	4 GLOBAL PETROLEUM (6.3%)
5	CADOGAN PETROLEUM	15.8%	5 AMINEX PLC (6.2%)

		1 month	
No.	Best performers	% change	No. Worst performers % change
1	INDEPENDENT RESOURCES	67%	1 FRONTERA RESOURCES CORPOR. (41.3%)
2	PRESIDENT PETROLEUM	64%	2 DOMINION PETROLEUM (35.8%)
3	COASTAL ENERGY COMPANY	34%	3 EUROPA OIL AND GAS (28.5%)
4	XCITE ENERGY	32%	4 GREEN DRAGON GAS (28.3%)
5	COVE ENERGY PLC	24%	5 PETRONEFT RESOURCES (27.2%)

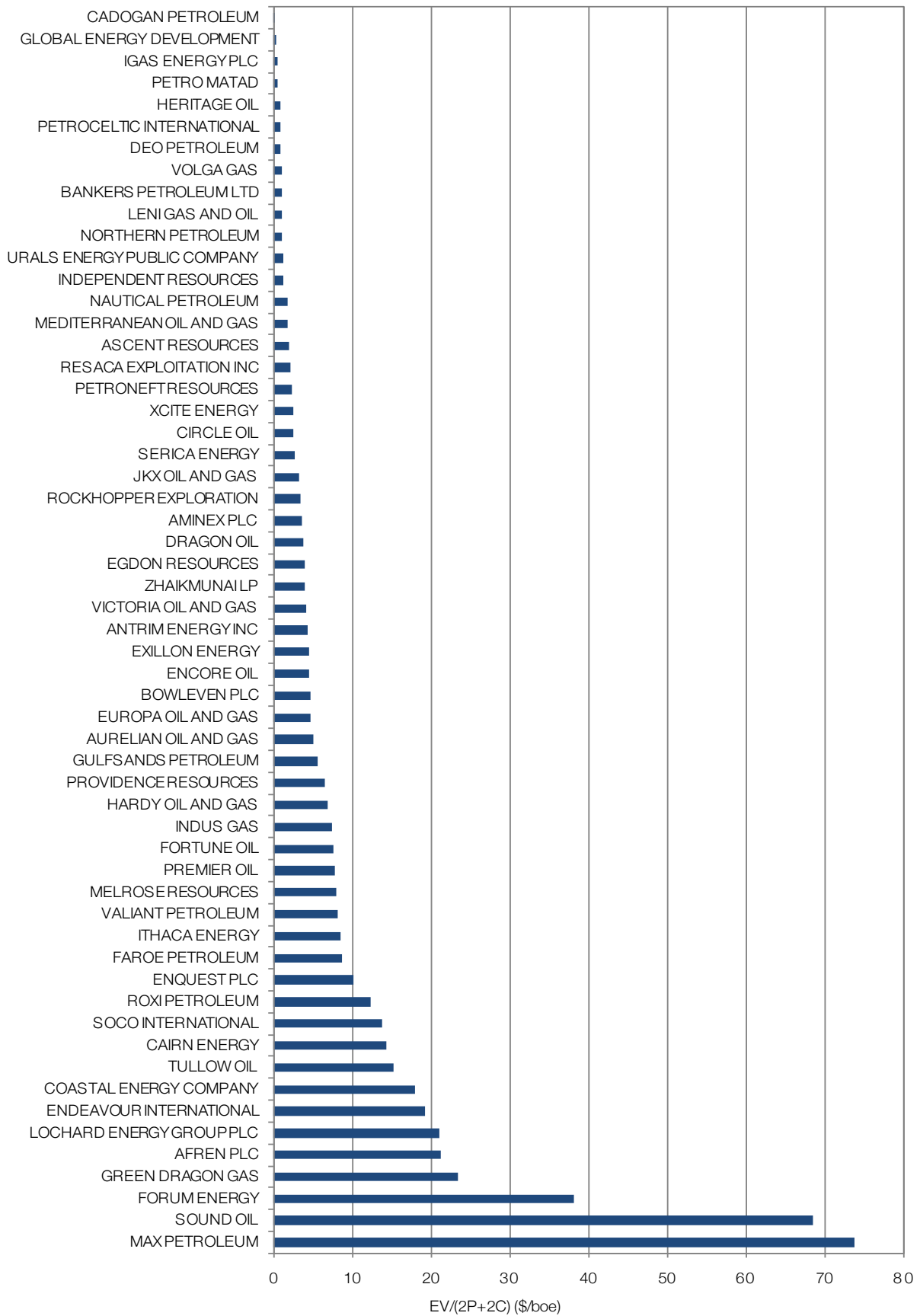
		3 months	
No.	Best performers	% change	No. Worst performers % change
1	COASTAL ENERGY COMPANY	41.5%	1 DESIRE PETROLEUM (49.3%)
2	INDEPENDENT RESOURCES	31.1%	2 EUROPA OIL AND GAS (46.0%)
3	VALIANT PETROLEUM	11.9%	3 FRONTERA RESOURCES CORPOR. (44.9%)
4	ENDEAVOUR INTERNATIONAL	8.0%	4 DOMINION PETROLEUM (43.4%)
5	ANTRIM ENERGY INC	6.2%	5 XCITE ENERGY (43.1%)

		6 months	
No.	Best performers	% change	No. Worst performers % change
1	SOUND OIL	154.4%	1 ASCENT RESOURCES (56.4%)
2	CADOGAN PETROLEUM	109.5%	2 PETREL RESOURCES (55.6%)
3	RANGE RESOURCES	93.9%	3 NIGHTHAWK ENERGY (54.9%)
4	GLOBAL PETROLEUM	57.9%	4 PRESIDENT PETROLEUM (51.3%)
5	VOLGA GAS	52.5%	5 ROXI PETROLEUM (50.8%)

		1 year	
No.	Best performers	% change	No. Worst performers % change
1	BPC LIMITED	329.4%	1 DESIRE PETROLEUM (82.4%)
2	XCITE ENERGY	225.4%	2 NIGHTHAWK ENERGY (78.1%)
3	RANGE RESOURCES	203.0%	3 FALKLAND OIL AND GAS (72.6%)
4	SOUND OIL	173.6%	4 SERICA ENERGY (57.6%)
5	CADOGAN PETROLEUM	162.7%	5 MEDITERRANEAN OIL AND GAS (44.9%)

Source: Bloomberg

Exhibit 2: EV/2P + 2C rankings



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