

# **Nautical Petroleum**

## **Final Results**

for the 12 months to 30<sup>th</sup> June 2009



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# Outline

- Highlights in the period
- Financial Highlights and Cash Management
- Resources
- Portfolio Review
- Development projects
  - Kraken discovery
  - Kraken economics, marketing and financing
  - Mariner discovery
- UKCS Exploration and Appraisal Activity
- Focus on France
- Value Growth
- Summary

## Highlights in the period

- 3D and Ocean Bottom Cable (OBC) seismic surveys completed over Mariner
- Platform site survey completed over Mariner
- Controlled Source Electromagnetic Survey (CSEM) performed over Kraken
- Drilled appraisal well on Kraken
- Awarded 6 new blocks in 25th Licensing Round in the North Sea and a further 2 licence awards in France
- 34% increase in Mariner net best estimate contingent resources (pending development)

## Financial Highlights

- Strong cash position of £19.1m (2008: 20.1m)
- Debt free with £7.5m secured facility undrawn and fully available
- Net assets of £59.8 million (2008: £65.5m)
- Loss after tax £5.9 million (2008: £4.5m) including exploration and evaluation expenditure of £4.5 million, impairment on EWT £2.4m and administrative expenses of £1.6 million
- Capital expenditure in the period of £11.8 million (2008: £7.2m), on continued portfolio development
- New £800m heavy oil field allowance announced by HM Government April 2009

# Resources

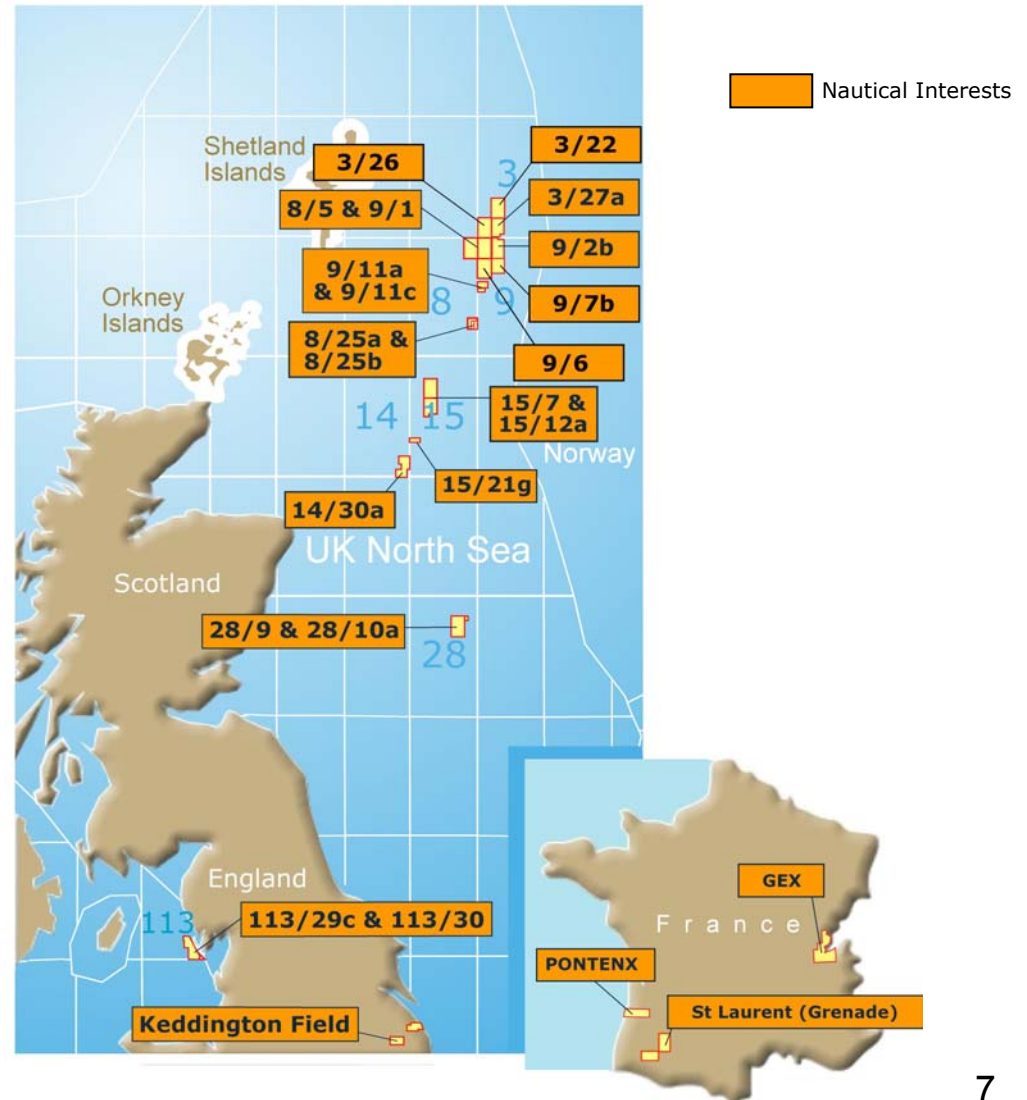
	<b>Net Best Estimate Contingent Resources</b>	<b>Net Best Estimate Prospective Resources</b>
<b>Discovery</b>		
Mariner (Maureen) (Heimdal)	21.5 68.8	
Kraken (9/2b)	29.1	40
Grenade (St Laurent)	0.9	
Tudor Rose (14/30a)	9.8	
<b>Total</b>	<b>130.1</b>	<b>40</b>

Confirmed by RPS Energy

Excludes Keddington, Merrow, Catcher and Audignon Ridge (not reviewed by RPS)

# Portfolio Review

<b>9/2b (Kraken Discovery)</b>	<b>35%</b>
9/11a (Mariner Discovery)	26.67%
14/30a (Tudor Rose Discovery)	20%
St Laurent (Grenade Discovery)	22%
<b>3/22 (Exploration)</b>	<b>40%</b>
<b>3/26 (Exploration)</b>	<b>40%</b>
<b>3/27a (Exploration)</b>	<b>35%</b>
<b>9/6 (Exploration)</b>	<b>35%</b>
<b>9/7b (Exploration)</b>	<b>35%</b>
<b>9/11c (Exploration)</b>	<b>50%</b>
<b>8/25a (Exploration)</b>	<b>35%</b>
8/25b (Exploration)	30%
<b>8/5 &amp; 9/1 (Exploration)</b>	<b>100%</b>
15/7 & 15/12a (Exploration)	33.33%
15/21g (Exploration)	30%
<b>113/29c &amp; 113/30(Exploration)</b>	<b>50%</b>
28/9 & 28/10b (Exploration)	15%
PONTENX (Exploration)	20%
GEX (Exploration)	20%

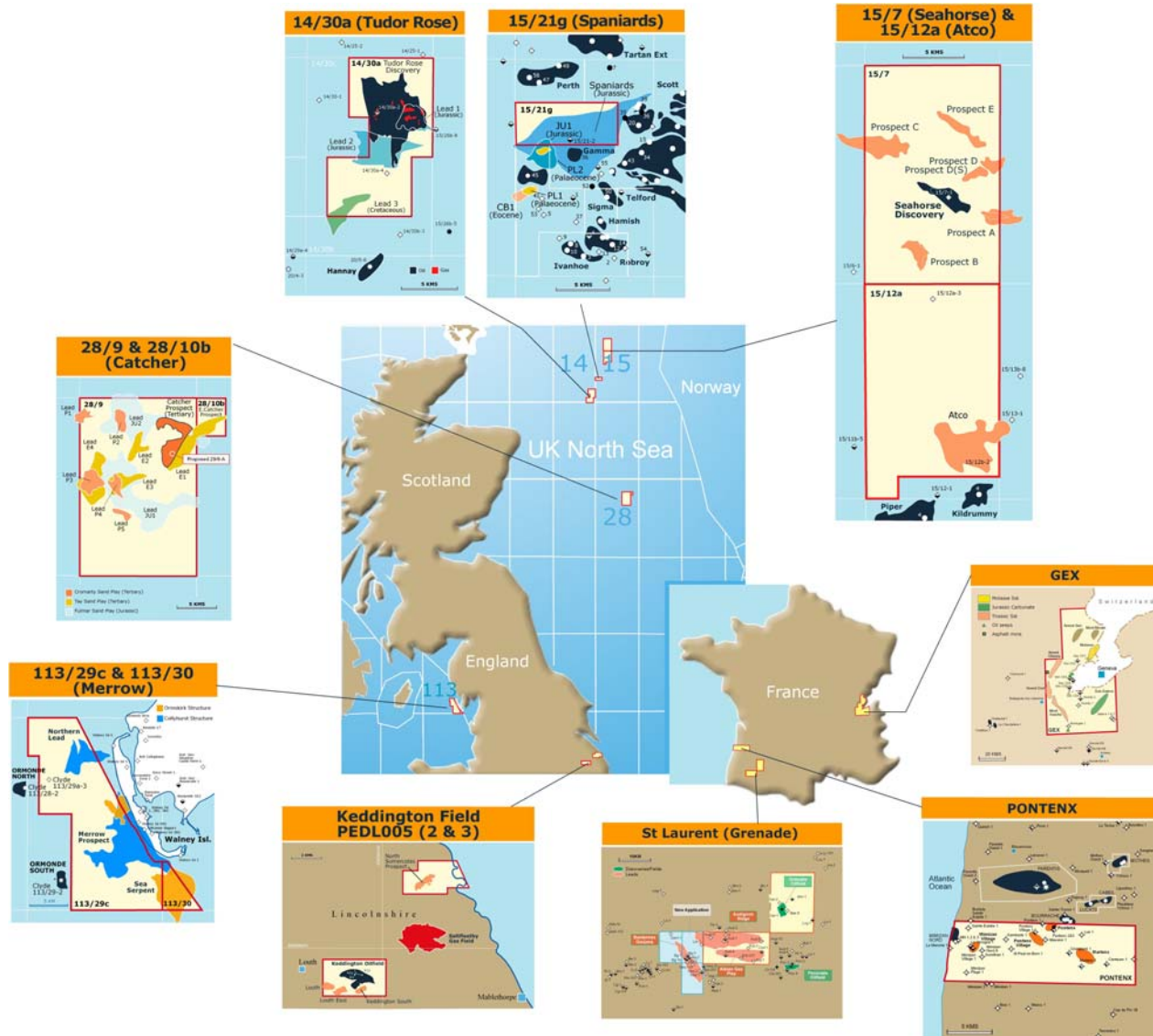


**Nautical Operated**

# East Shetland Platform



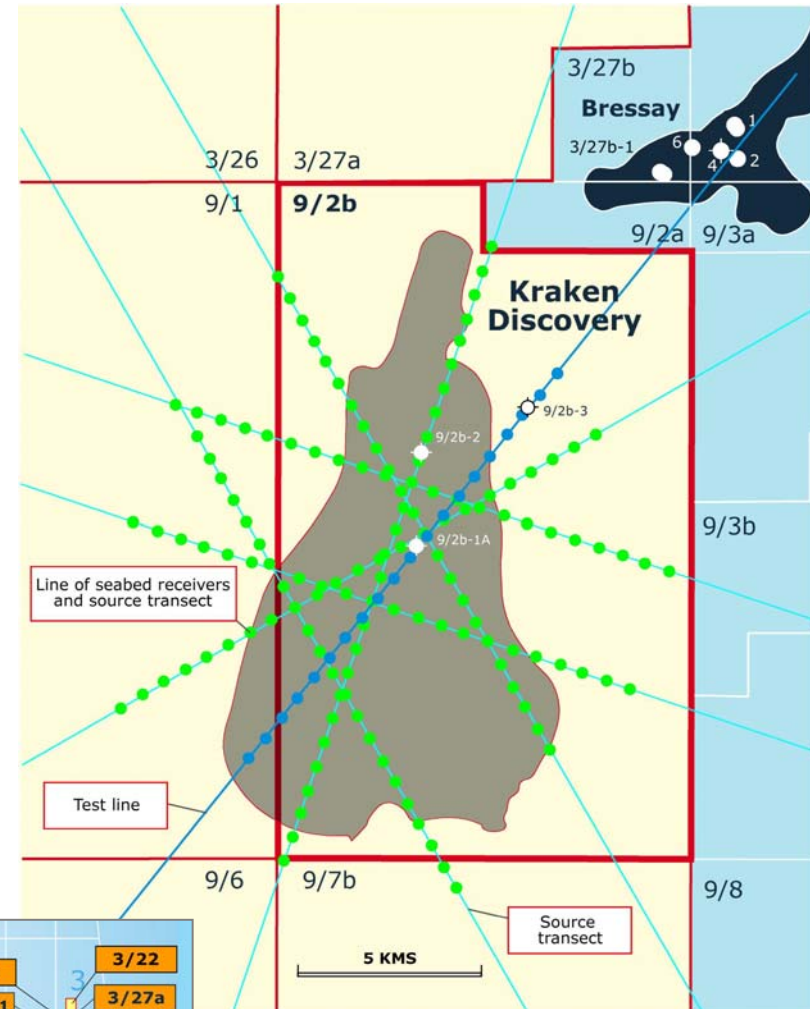
# UKCS and France



# Kraken 9/2b - Activity



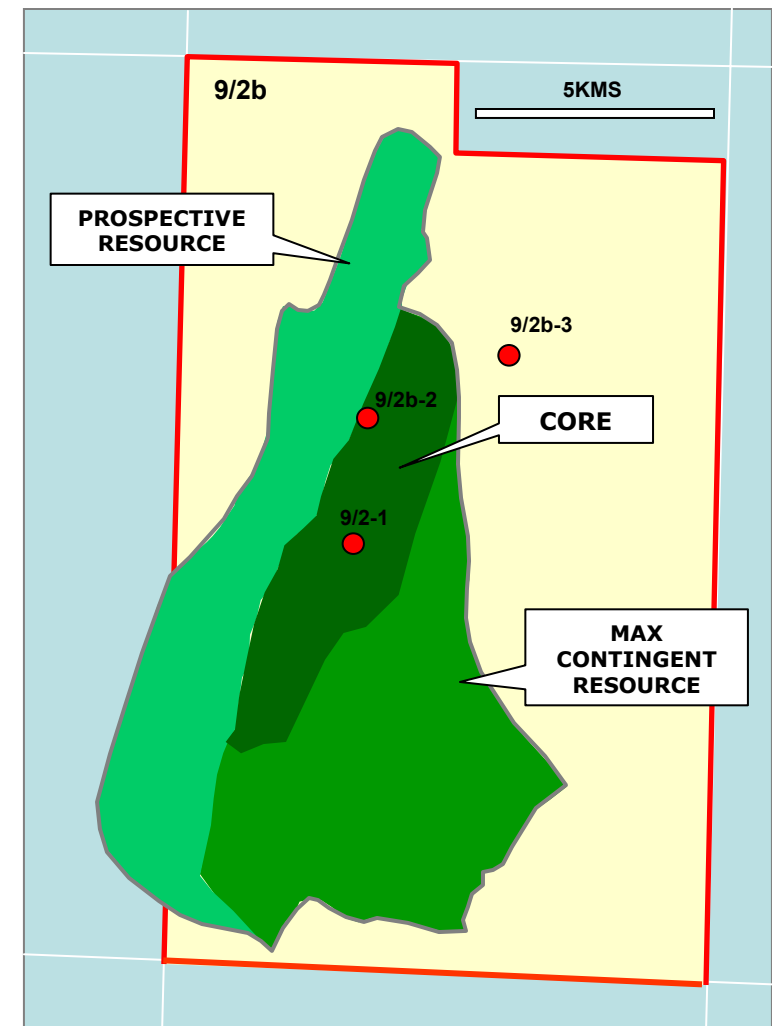
- Large, stratigraphically controlled oil accumulation proven by wells 9/2-1A & 9/2b-2
- 9/2b – 3 well designed to investigate upside (P10) resources and intersect oil water contact. Nautical fully carried; plugged and abandoned October 2008
- CSEM survey acquired in summer 2009 after successful test line (Jan 2009) to verify hydrocarbon distribution
- Preliminary results illustrate strong correlation of CSEM anomalies with seismic amplitudes
- Appraisal well planned for first half of 2010



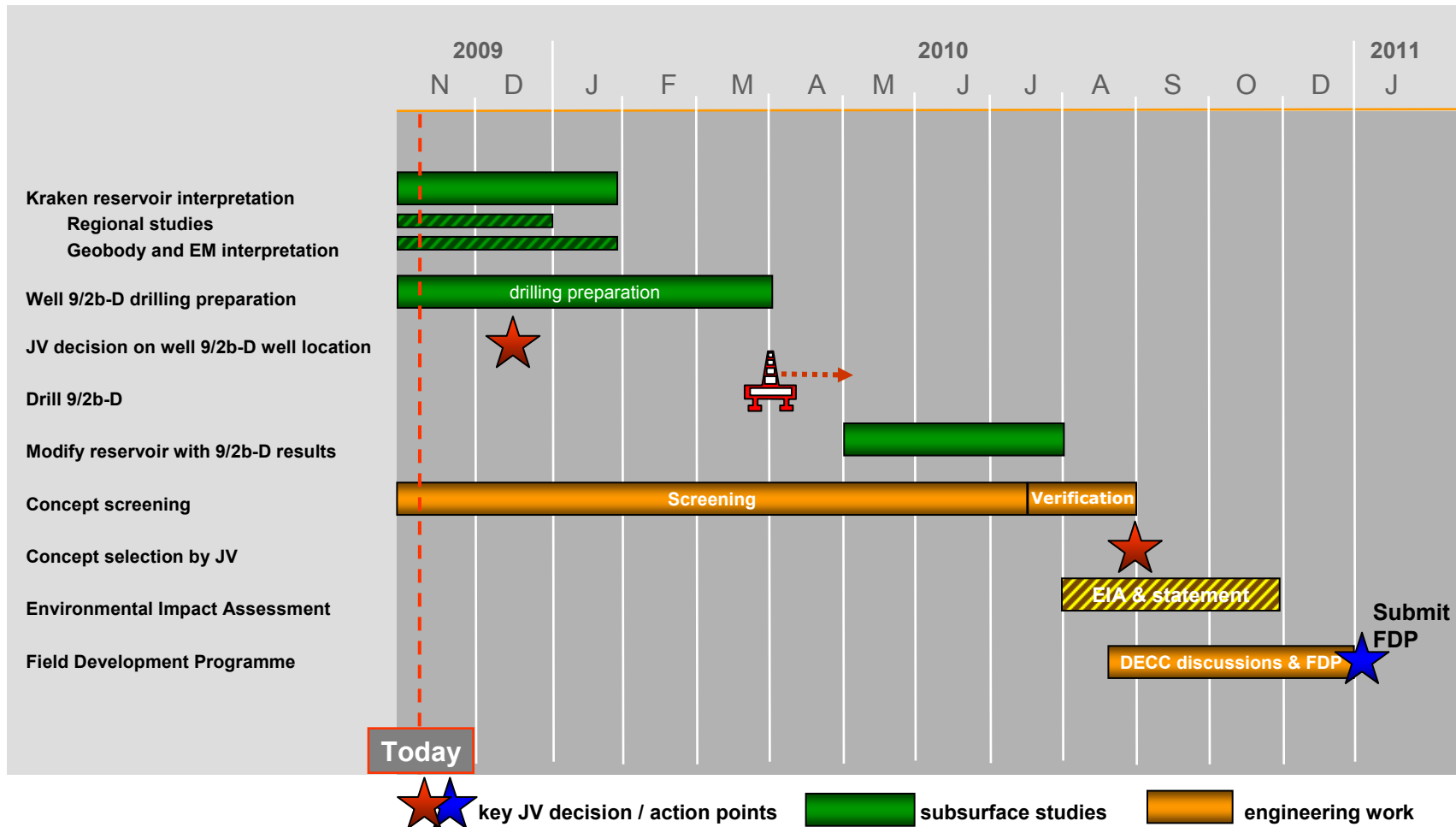
# Kraken 9/2b - Resources



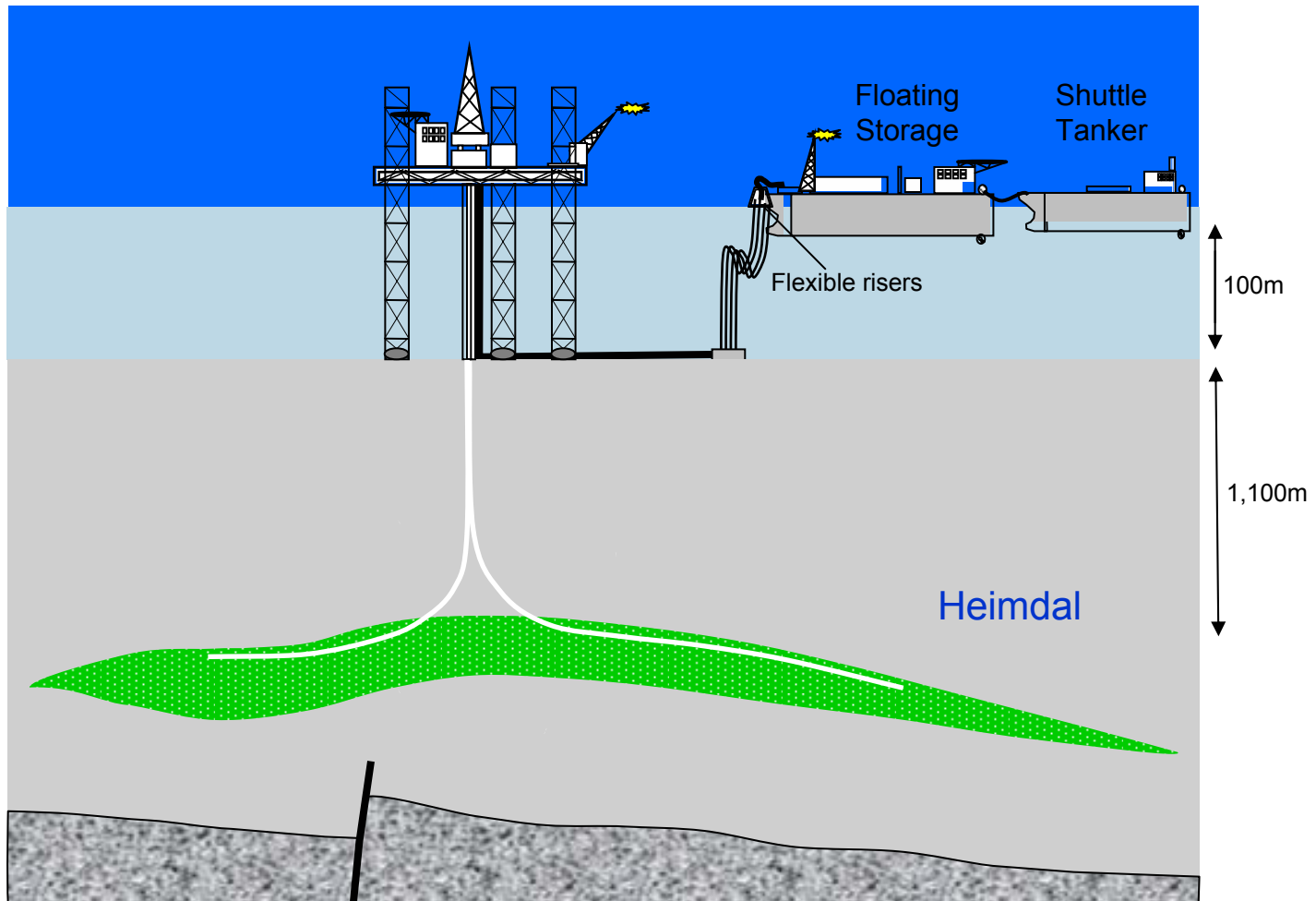
- Best estimate contingent resources 83mmbo gross (29mmbo net) per competent person
- Additional best estimate prospective resources of 114mmbo gross (40mmbo net)
- Regional seismic mapping and attribute analysis integrated to define sand fairways
- Appraisal well will be located to confirm sand distribution model and test fluids
- FDP submission targeted for end 2010
- First oil planned for 2012



# Kraken 9/2b - Target 2010 FDP schedule



# Kraken 9/2b – Development Scenario



## Kraken 9/2b – Economics, marketing & financing



- Fast Track Phased Development
- Equipment availability
- Lower Costs
- Improved Commodity Price
  - Forward Curve
  - Heavy Oil Discount
- Tax Incentives

# Kraken: Economics



- Phase 1 to access 20 - 30 million barrels
- 4 Producing Wells + 1 Injector Well
- Phase 1 Production Rates initial rates 20kbd
- Lifting Costs \$25.4/bbl
- Second/Third Phase full field development of 30,000-40,000 bbl/d
- Oil Price Brent Forward Curve less 7%

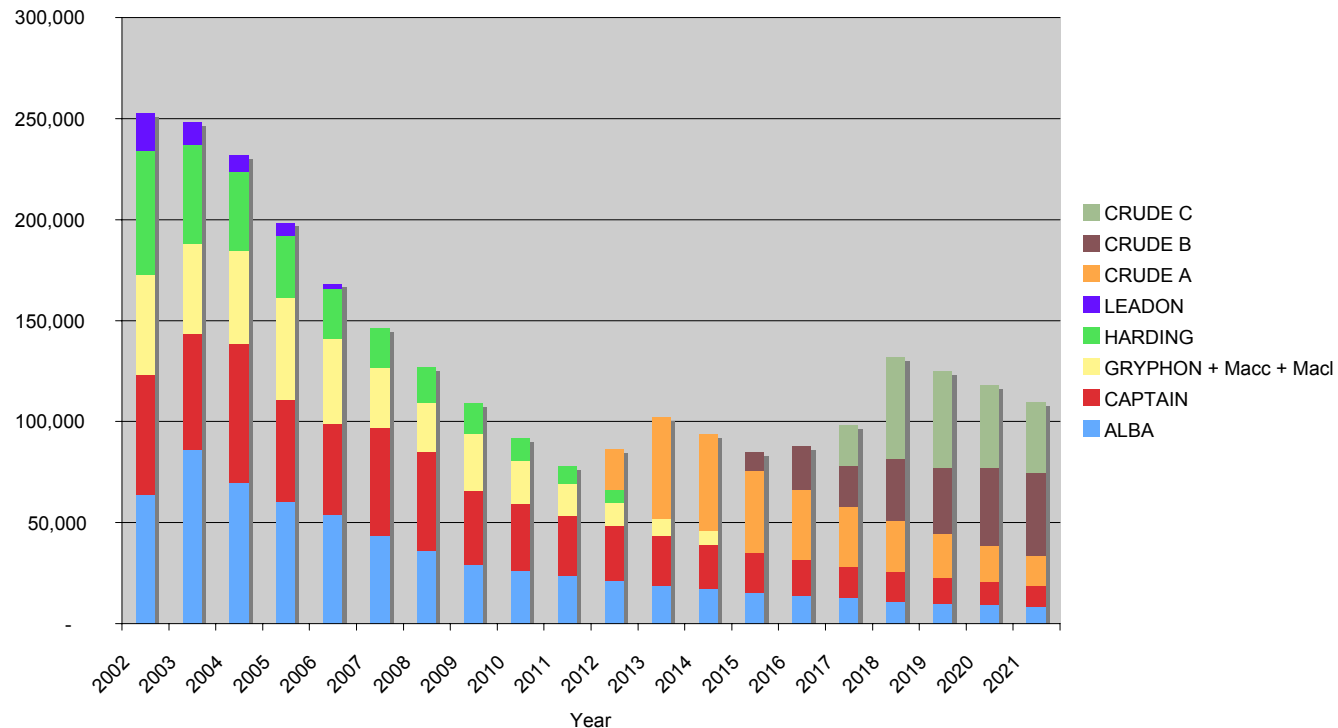
## Partners

- Nautical Petroleum plc (Operator) 35%
- Canamens 35%
- Celtic Oil Limited 30%

# North Sea Heavy Oil Markets



UKCS Heavy Naphthenic Crude Production

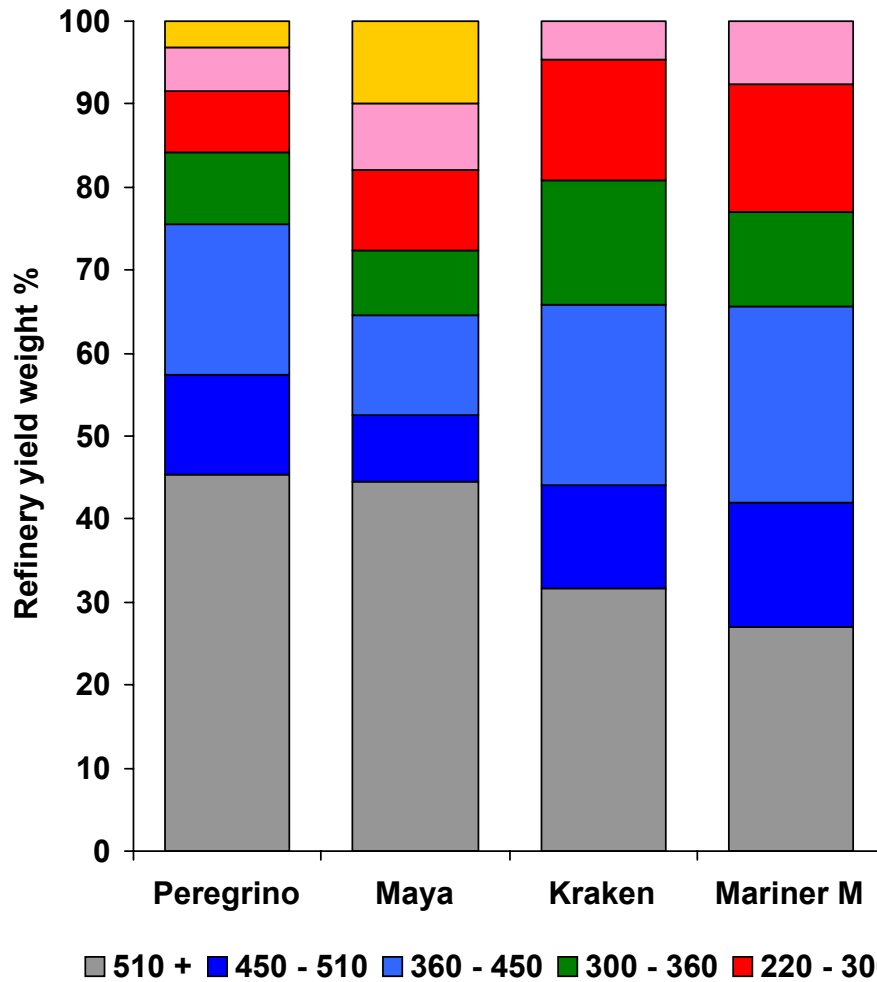


UK Heavy Oil production decline has been dramatic. Leadon came off production 4 years ago and Harding and Gryphon are coming to an end shortly

New Heavy oil will come on stream in the next few years, hastened by improved fiscal environment

Additional production from known discoveries is probable (not shown on graph)

# Kraken/Mariner – Yield Structure



	Peregrino	Maya	Kraken	Mariner M
API	13.7	21.6	14.29	14.49
Sulphur	1.84	3.34	0.52	1.11
Pour Pt	15	-36	-6	-25
TAN	0.9	0.1	4.3	4.24
Ni / V	39/40	58/293	2/7	28/7
Visc @ Res	2417	57	110	65

**Mariner and Kraken are heavier than Maya but have more less residue**

## Kraken 9/2b – Oil Quality



### Positive:

- Reasonable distillate yields:
  - About 6% lights and kero
  - About 60% useful distillates
  - About 30% residue
- Sulphur contents below 1 which is attractive.
- TAN for distillates <1.0 which is a selling advantage

### Negative:

- High Tan limits customers
- High Residue content is less attractive to conventional refiners
  - *Similar could be said for Mariner with the exception of Sulphur which is higher than 1%.*

# Oil Marketing



## Options

- Blending
- Cargo Size
- Production Segregation (Specialist Refiners)
- Upgrading
- Power Generation

## Process

- Identify Specialist Refiners
- Build confidence in the oil quality
- Maintain Options

## Financing Options

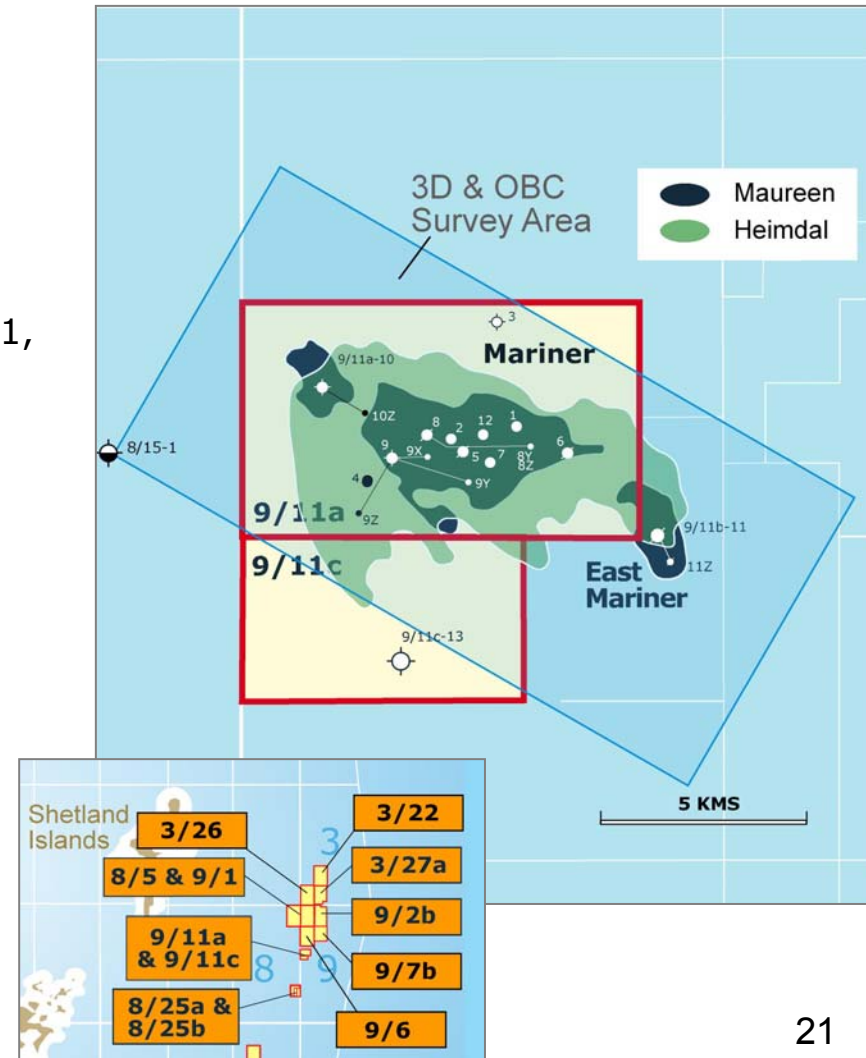


- Equity - Markets are becoming receptive to placings
- Bank Debt - Willingness to lend encouraged by Government
- Contractor Finance - Looking to combine activity and investment opportunities

# Mariner and East Mariner 9/11a & b – Resources and Activity



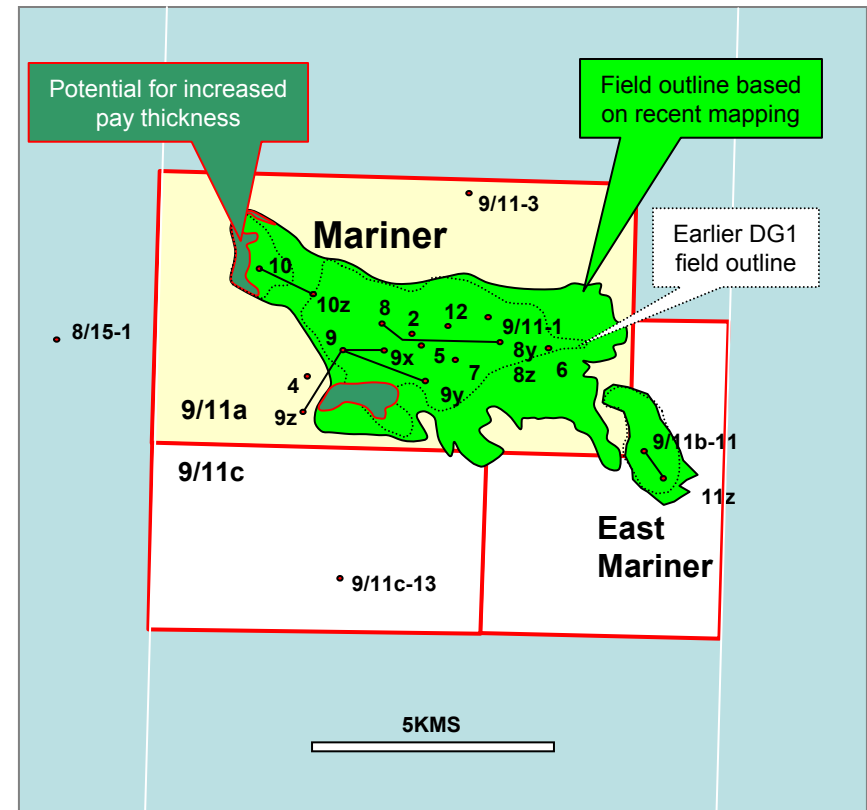
- Committed operator – StatoilHydro ASA operator of Grane, Norway and developing Peregrino, Brazil heavy oil fields
- Gross contingent resources 369mmbo, 90.3mmbo net. Maureen 21.5mmbo and Heimdal 68.8 (2008 year end)
- Successfully passed through Decision Gate (DG)1, now in Concept Phase
- New 3D seismic (151km<sup>2</sup>), Ocean Bottom cable (OBC) and platform site surveys acquired



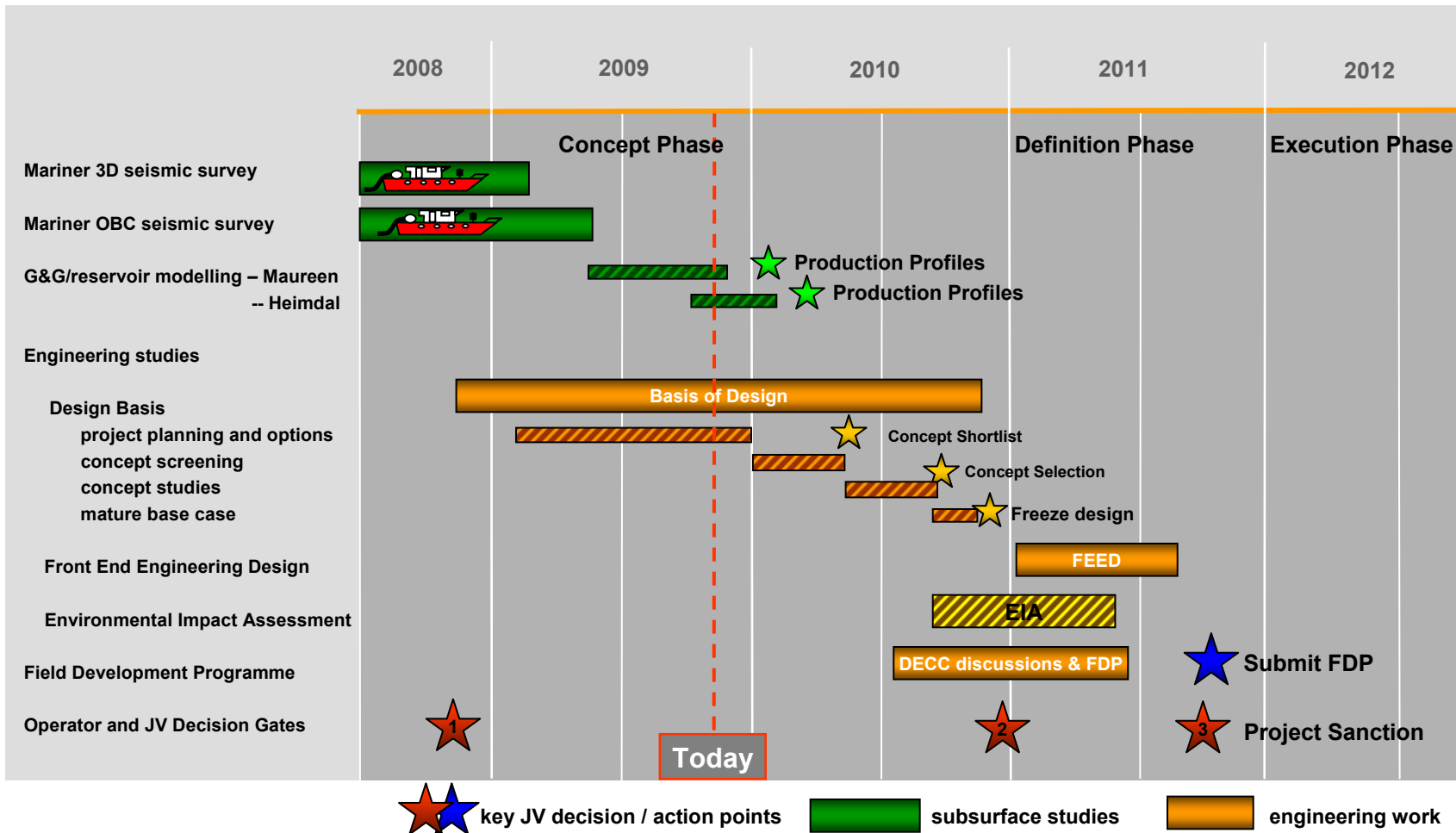
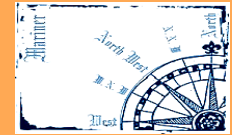
# Mariner 9/11a & b - Technical Progress



- 3D Seismic defined top of Maureen sand, now shallower and more widespread
- OBC has improved imaging of Heimdal channels and other shallower Lista sand bodies
- New reservoir simulations expected in early 2010
- Technical advances including use of downhole water shut off valves and polymer flooding have been shown to improve recovery factors
- Simplified well design substantially reduces drilling costs

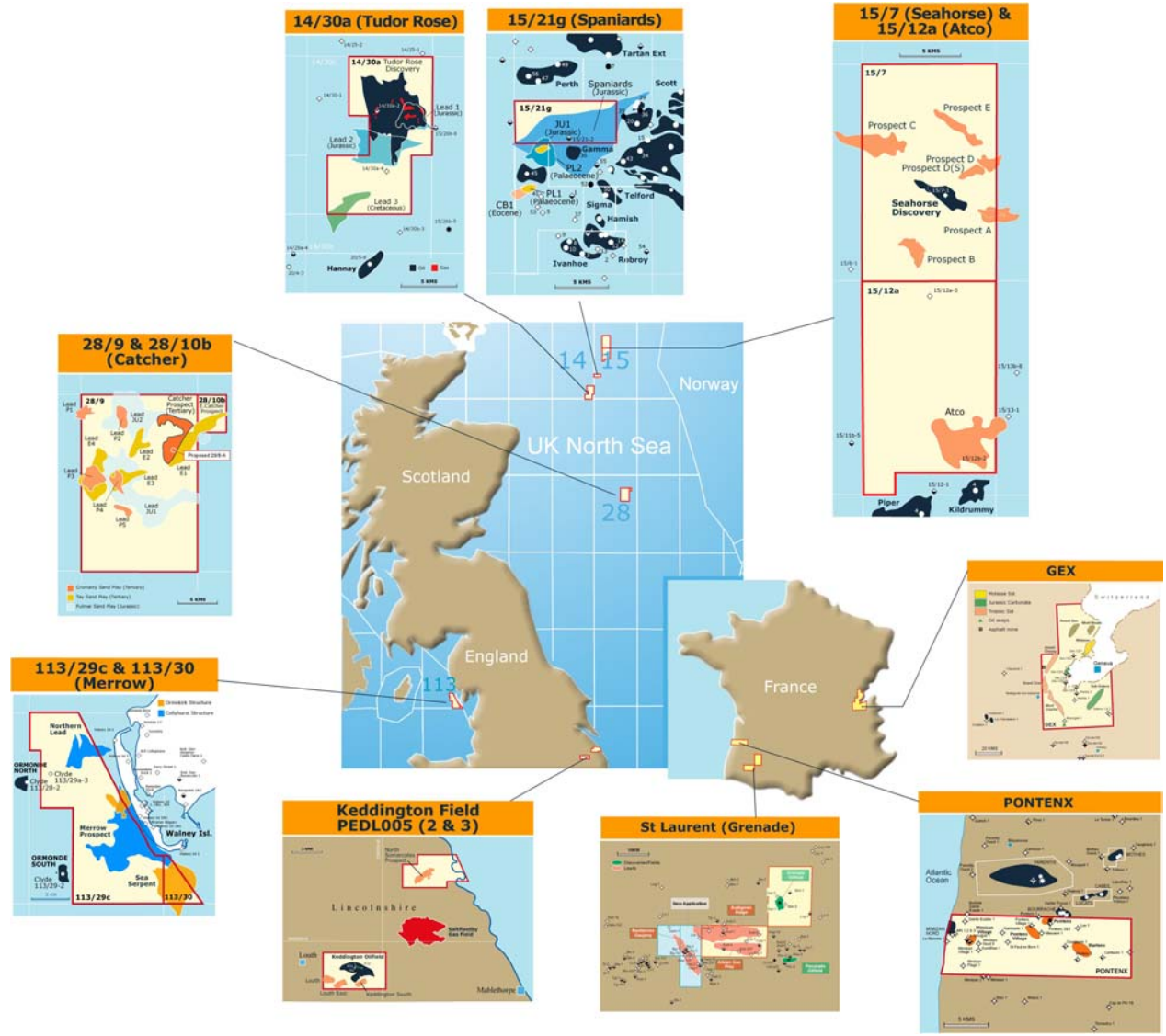


# Mariner 9/11a – Operator’s development schedule





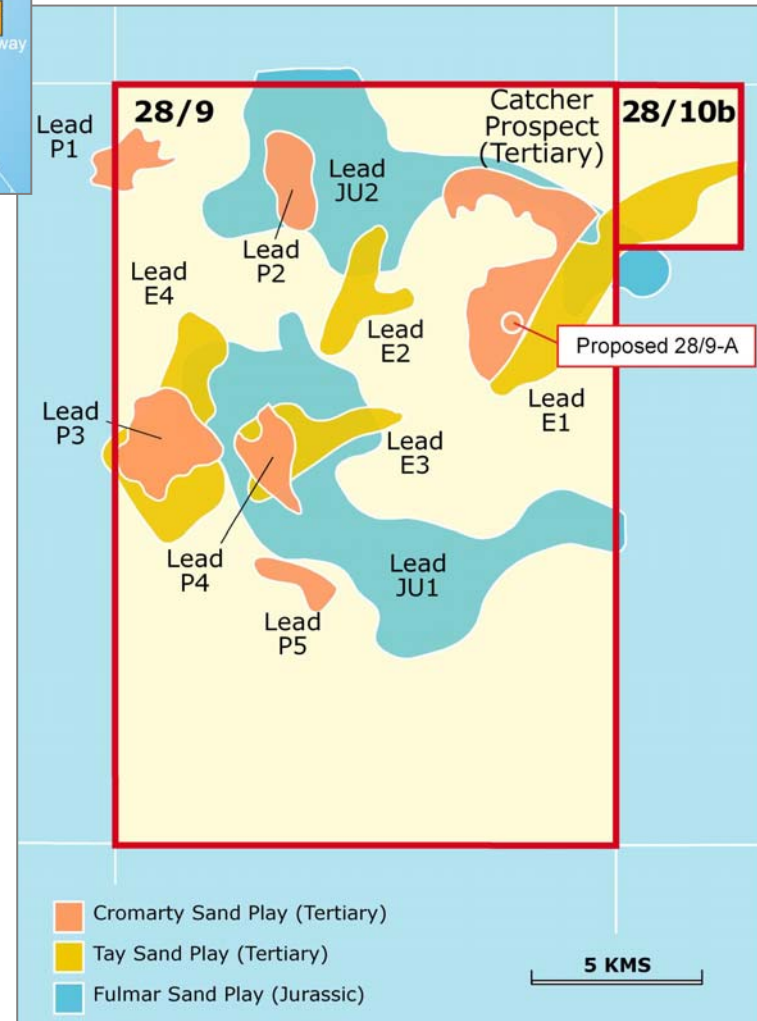
# UKCS Exploration and Appraisal Activity



# Catcher 28/9 & 28/10b



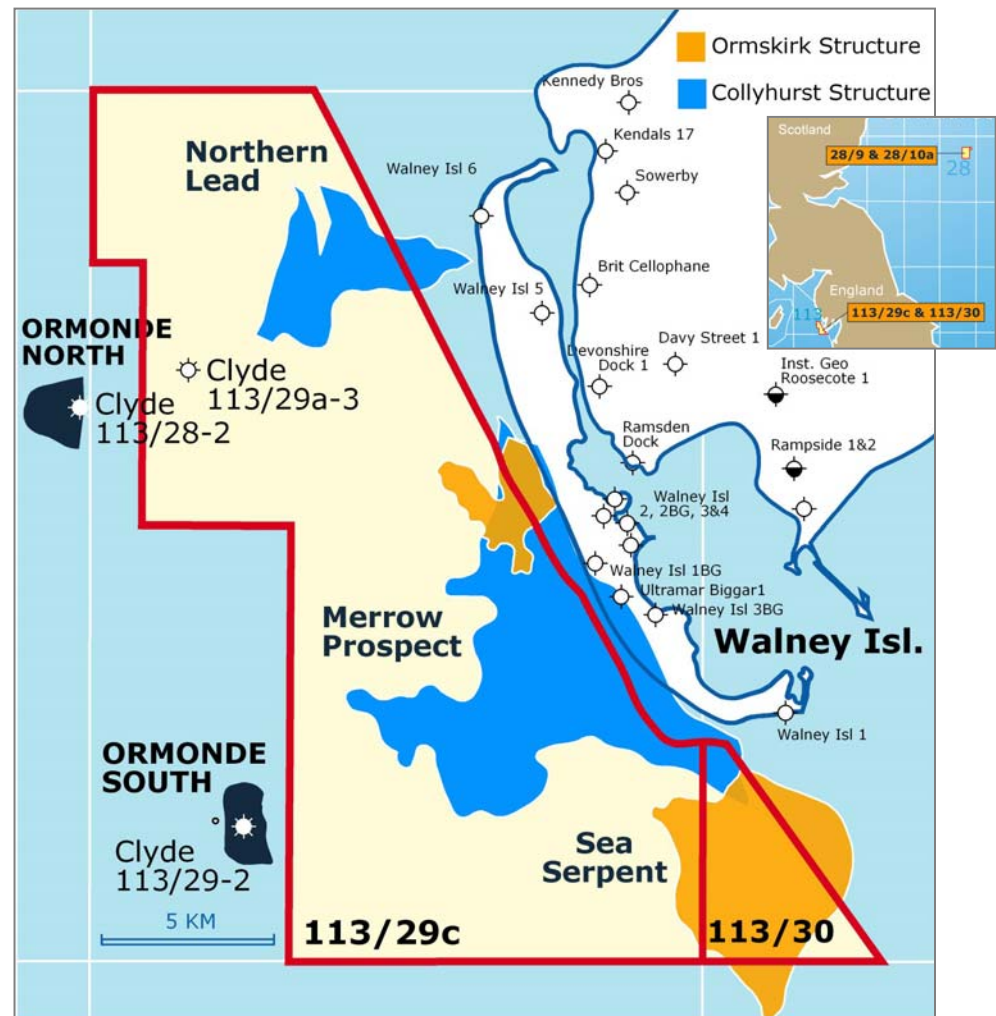
- Located on West Central Platform
- Nautical equity 15%
- Tay sandstone (Eocene) and Cromarty sandstone (Paleocene) reservoir fairways throughout the block
- Catcher prospect and numerous leads defined on 3D seismic. Seismic anomalies indicate thick, hydrocarbon bearing sand sequence
- Best estimate prospective resources 21.8 mmbo (gross), 3.3 mmbo (net to Nautical)
- Low 20's API oil predicted
- Well to be drilled in Q2 2010 (Nautical 20% carry)



# Merrow 113/29c & 113/30



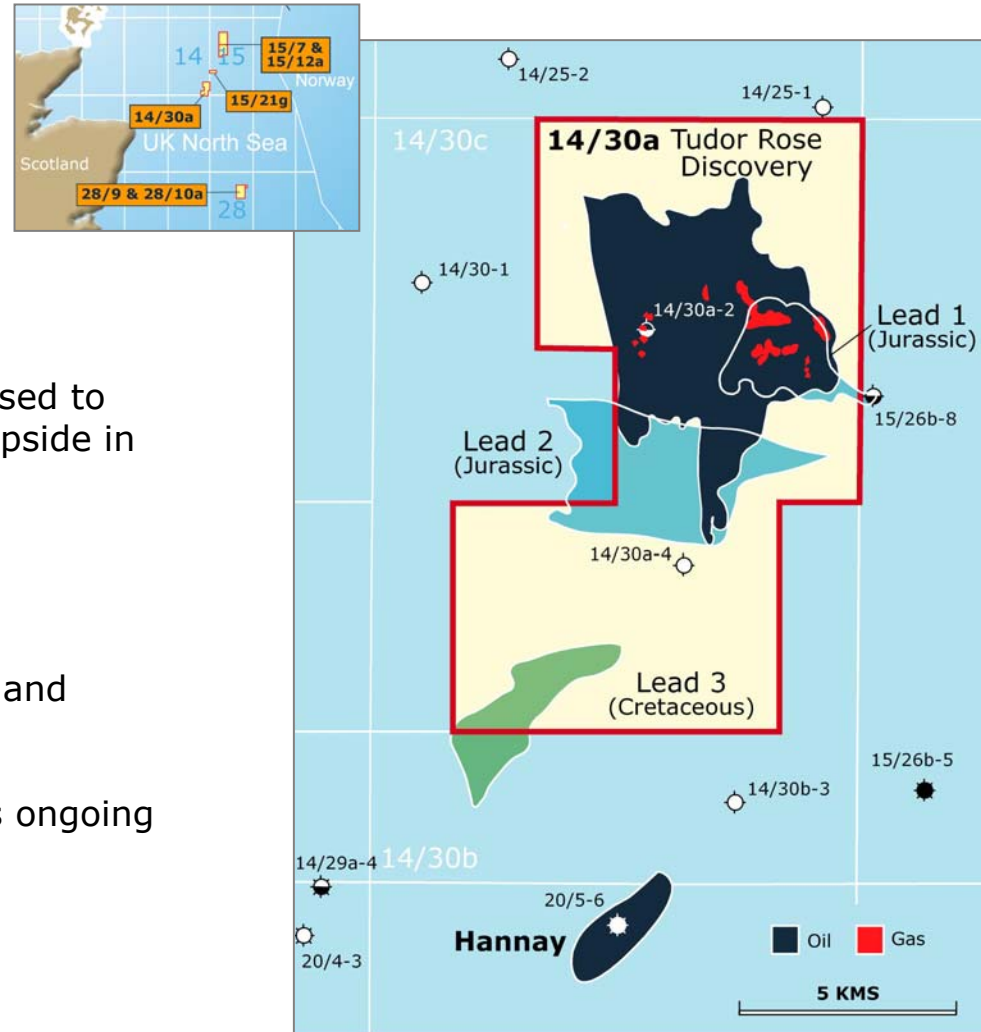
- Located on the edge of East Irish Sea Basin, structurally analogous to Lennox
- Nautical 50% operated traditional licence
- Integration of reprocessed seismic, gravity and magnetics has defined large Merrow prospect
- Collyhurst (Permian) reservoir prognosed to be 40 metres thick. Produces at Elswick field
- Hydrocarbon migration path proven by oil and gas shows onshore
- Sea Serpent lead (Ormskirk Sandstone, Triassic)
- Reconnaissance for onshore drill site commenced



# Tudor Rose 14/30a



- Located Outer Moray Firth
- Nautical equity 20%
- Tudor Rose discovery, 24m oil column and 3m gas column.
- Best estimate contingent resources increased to 49mmbo (9.8mmbo net) with significant upside in undrilled sand lobe
- Shallow target 1000ms
- Tudor Rose reservoir Dornoch Formation with deeper Kopervik Sand (Cretaceous) and Sgaith Sand (Jurassic)
- 3D seismic reprocessed and AVO analysis ongoing
- Contingent well

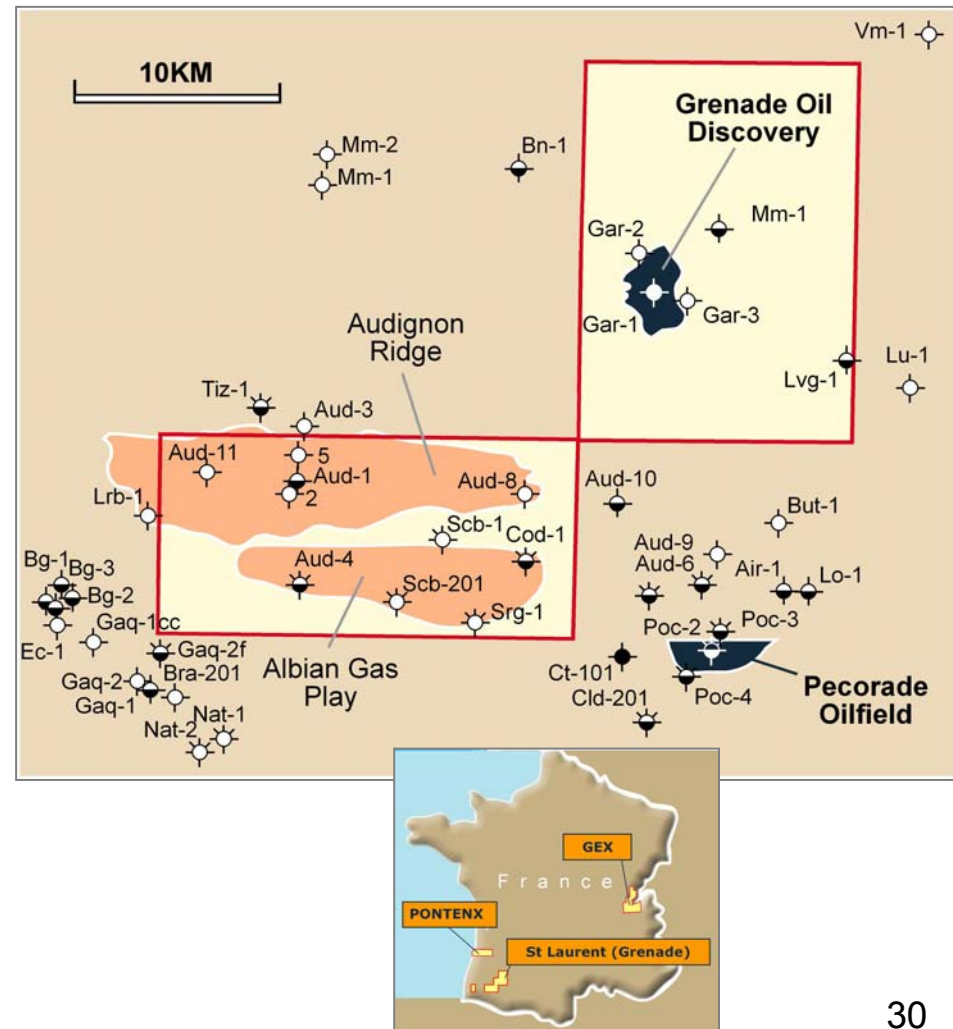




# Focus on France

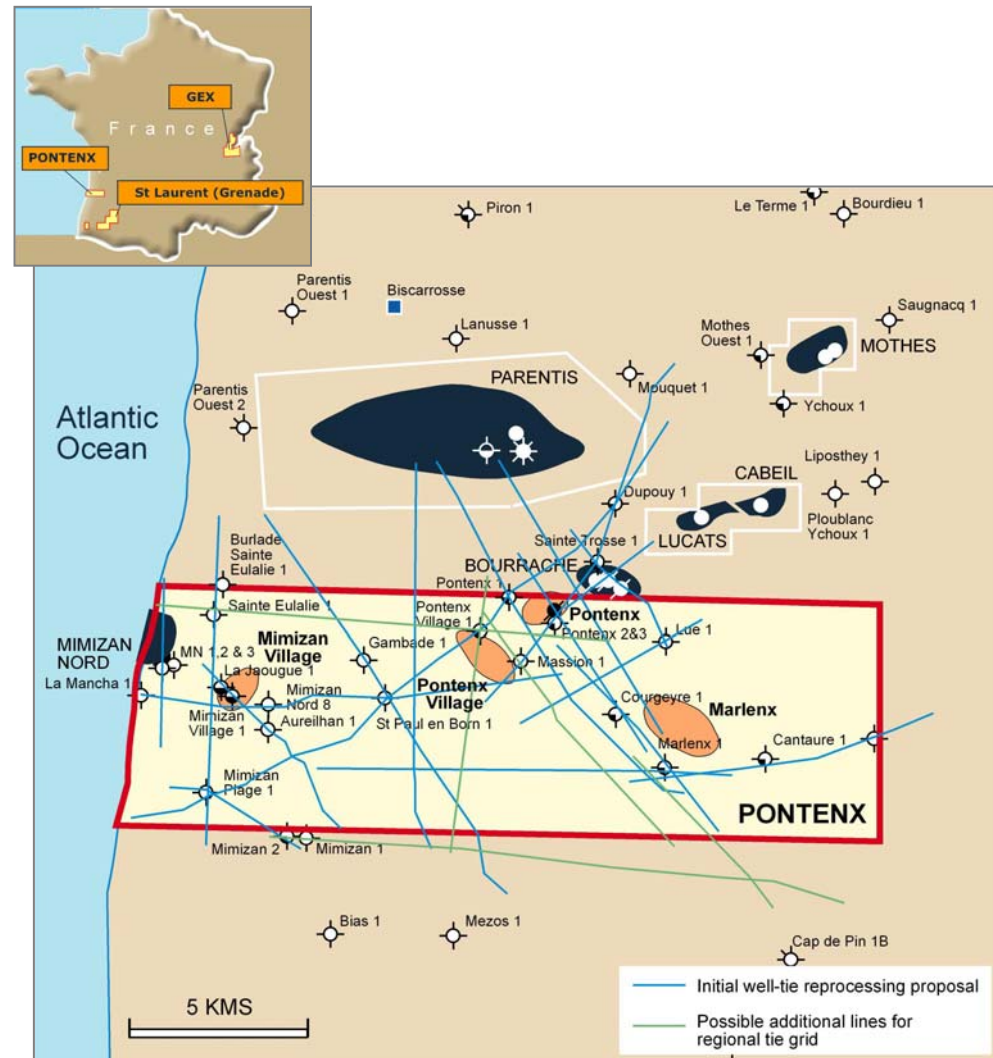
# France - St Laurent Permit

- Located in Aquitaine Basin, SW France
- Discovery well GAR-1 drilled in 1975 encountered 97m heavy oil column in Cretaceous Albian Carbonates
- Produced 8000 barrels in a series of tests
- GAR-1 and MAR-1 good reservoir quality, GAR-2 and GAR-3 non reservoir
- Large Audignon Ridge gas prospect in Triassic Bunter sands and Jurassic reservoirs



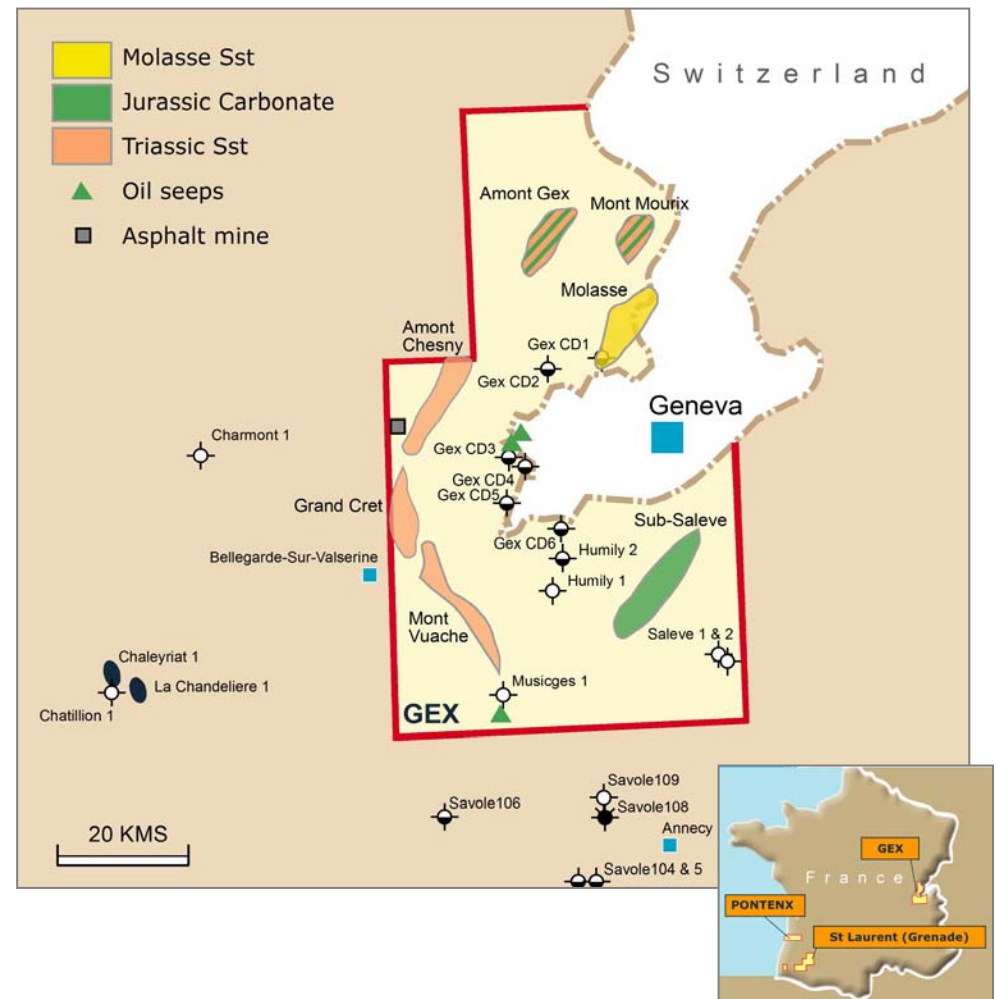
# France – Pontenx Prospects & well-tie reprocessing

- Located on southern margins of Parentis Basin, SW France
- Rejuvenation and deeper potential in abandoned, heavy oil Mimizan Nord field
- Wells have tested up to 250bopd elsewhere in permit
- Reprocessing and interpretation of existing seismic ongoing



# France – Gex Prospects

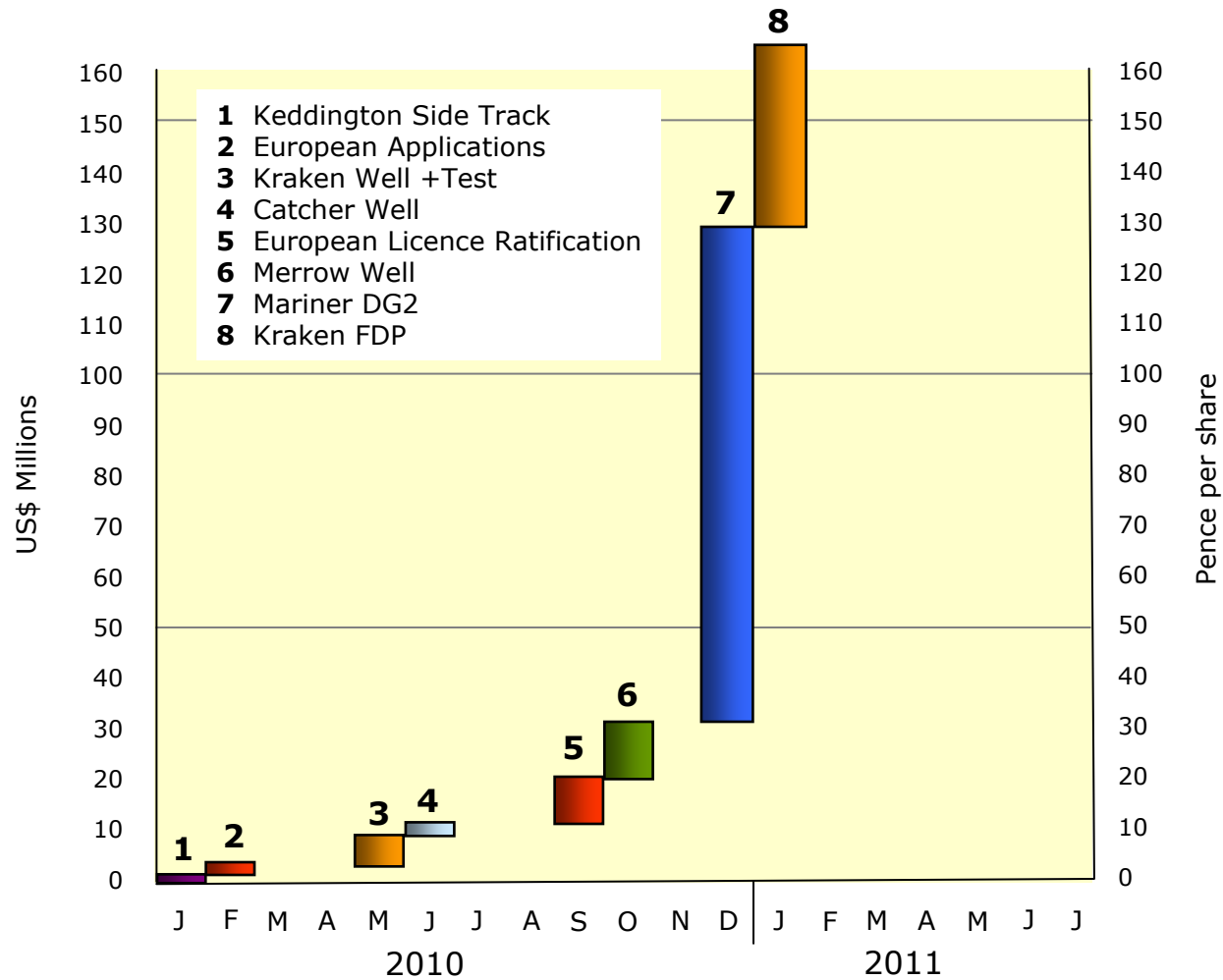
- Located in Alpine Molasse/Jura Basin, Eastern France
- Extensive zone of shallow (<500m) discovered oil
- Large, deeper targets eg Grand Cret at Triassic level
- Interpretation of seismic and analysis of oil samples in progress





# Value Growth

# Value growth



## Summary

- Strong cash position of £19.1 million and £7.5 million undrawn facility
- Improving market for heavy oil in NW Europe
- Kraken - accelerated development leading to production in 2012
- Mariner – increasing resource, economically robust and material to operator
- Increased drilling and licence activity in 2010
- Significant scope for value creation

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