

# **Nautical Petroleum**

Interim Results  
for the 6 months to 31 December 2008



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# Outline

- Highlights in the period
- Financial Highlights and Cash Management
- Reserves, resources and activity
- UKCS Heavy Oil Production Costs
- UKCS Heavy Oil Discount Myth
- Development projects
  - Kraken discovery
  - Mariner discovery
- Exploration portfolio
- Summary

## Highlights in the period

- Continued progress on cornerstone assets
  - Ocean Bottom Cable (OBC) seismic survey completed over Mariner
  - Increased knowledge on Kraken following well
  - High Resolution (HR) 2D seismic over Scylla
- Broadened inventory
  - 7 new block awards in UKCS 25th Licence Round
  - 1 new licence in France (Pontenx)
  - 24 blocks (12 operated) and 18 licences (8 operated) in portfolio
- Successful farmouts to reduce financial risk
  - 2 key farmouts on Kraken and Hydra

# Financial Highlights and Cash Management

## Interim Results for the 6 month period:

- Loss after tax of £1.4 million (2007: £4.3 million), includes £2.4 million impairment of EWT equipment
- Farmouts completed on 9/2b Kraken, 3/27 Hydra and 8/25 Selkie - receipts in excess of carrying values resulted in an income statement gain of £0.5 million
- £7.5 million spent on the continued exploration and evaluation of our assets

## Strong Cash position:

- Strong cash position with own cash of £21.4 million (June 2008: £18.0 million) - sufficient to take Kraken and Mariner to FDP submission
- £7.5 million secured facility remains undrawn.
- £11.5 million of cash and past cost contribution received during the period from completed farmouts.

# Reserves and Resources

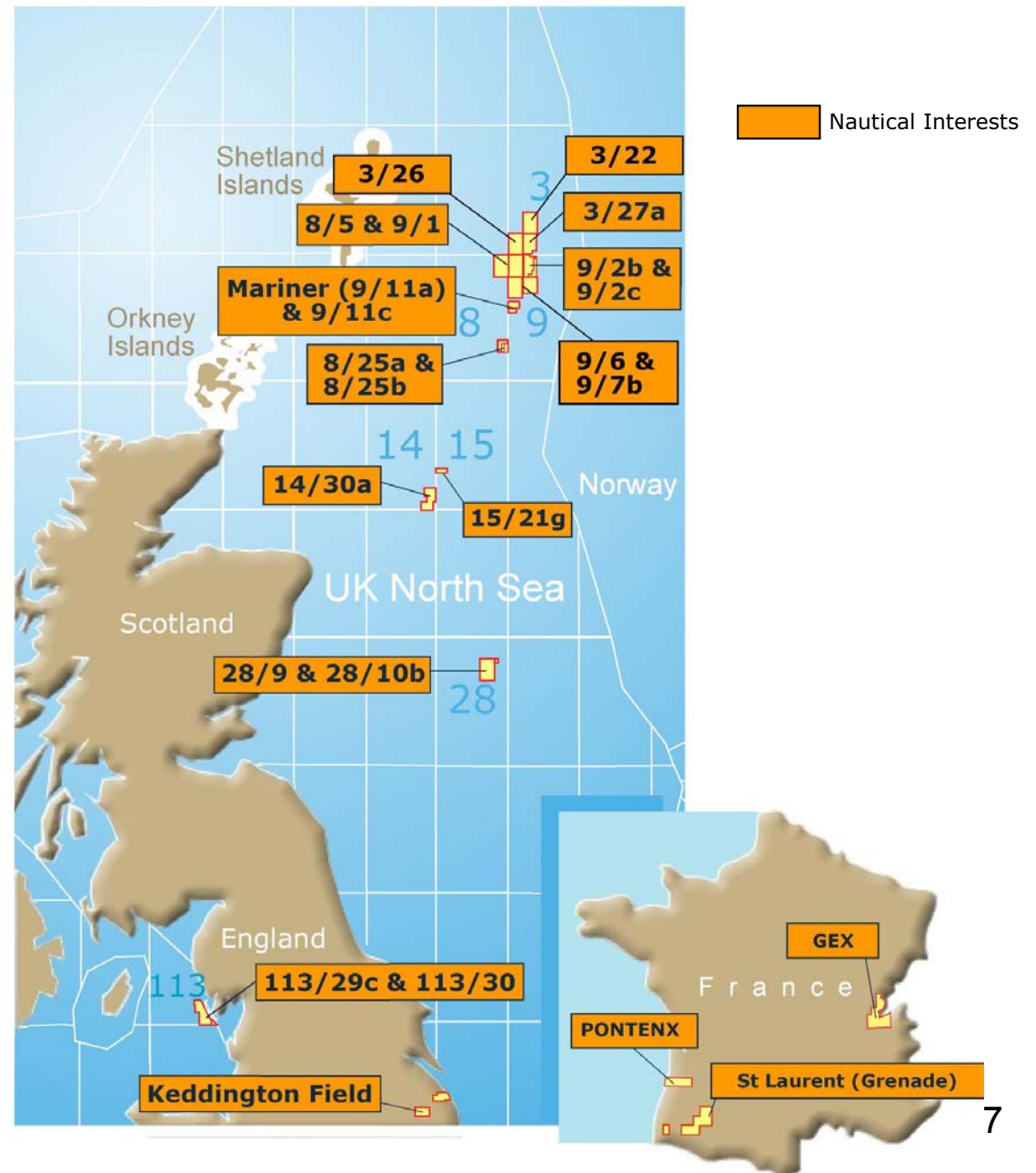
<b>Discovery</b>	<b>Net 2P Reserves</b>	<b>Net Best Estimate Contingent Resources</b>
Mariner (Maureen) (Heimdal)	22.9	43.9
Kraken (9/2b)		37.1
Grenade (St Laurent)		2.8
Tudor Rose (14/30a)		9.8
<b>Total</b>	<b>22.9</b>	<b>93.6</b>

# Portfolio Review


<b>9/2b &amp; 9/2c (Discovery)</b>	<b>35%</b>
9/11a (Discovery)	26.67%
14/30a (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 &amp; 9/7b (Exploration)*</b>	<b>35%</b>
<b>9/11c (Exploration)</b>	<b>80%</b>
<b>8/25a &amp; 8/25b (Exploration)</b>	<b>50%</b>
<b>8/5 &amp; 9/1 (Exploration)</b>	<b>100%</b>
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%
Keddington Field (Production)	10%

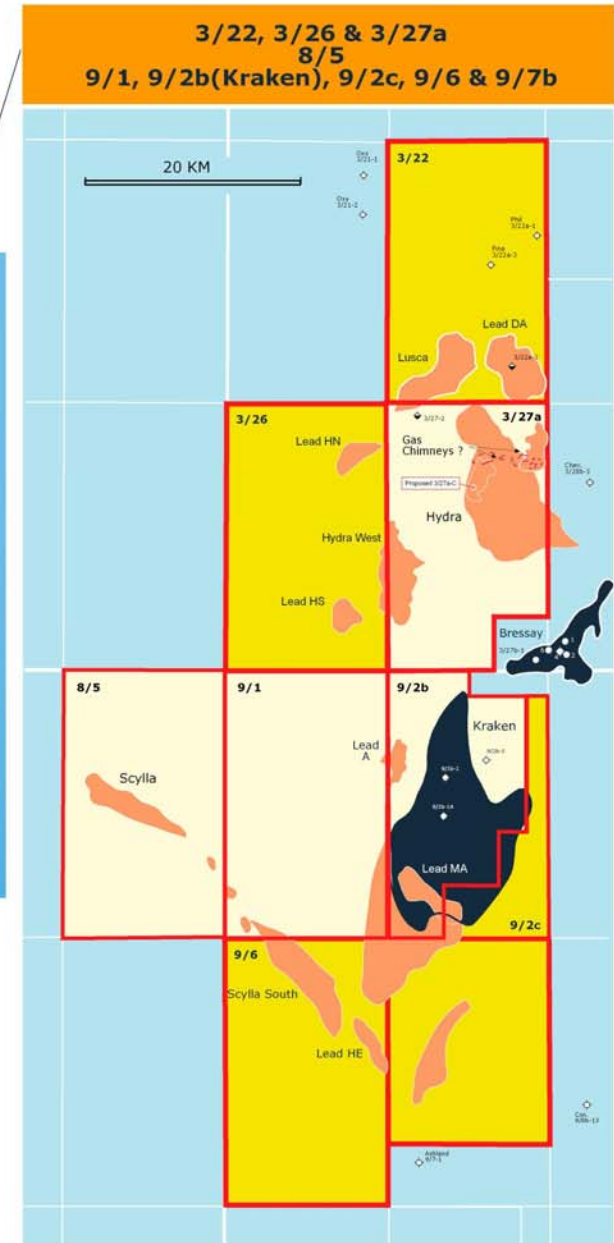
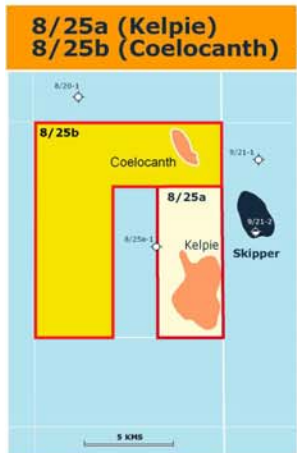
## Nautical Operated

- \* UK 25th Round Awards
- \*\* Pending French Award



# East Shetland Platform (ESP)

 25th Round Blocks

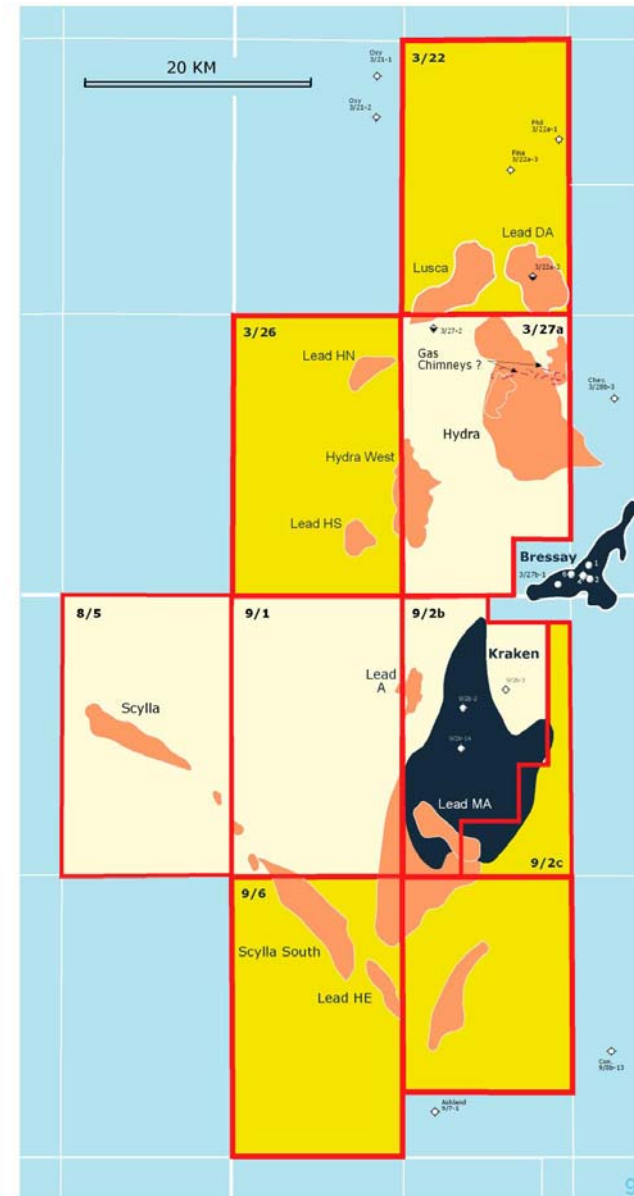


# ESP Quadrants 3 and 9

## Significant Discoveries & Exploration Upside

**Strong Acreage position in proven and very prospective area**

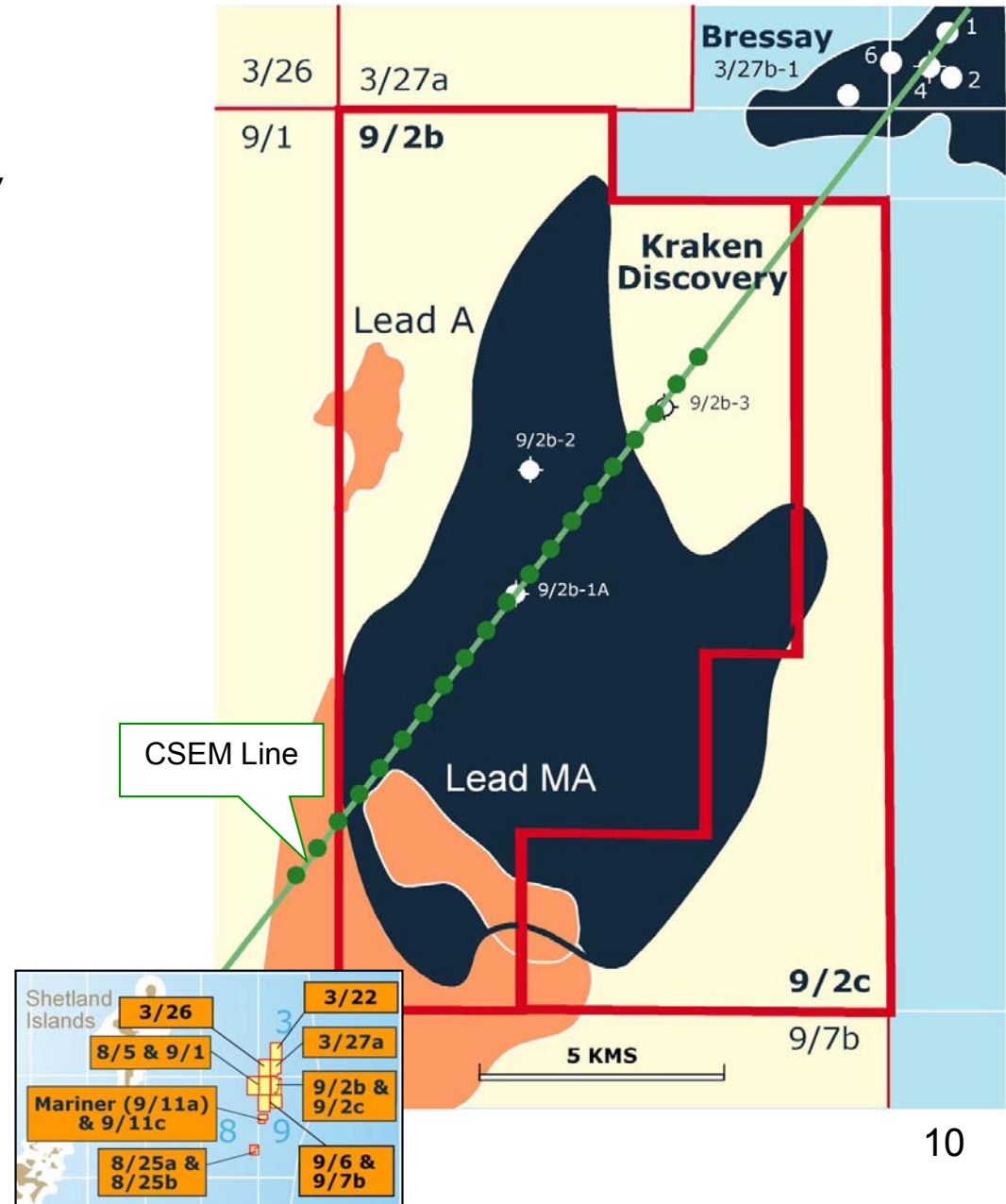
- Significant discoveries (Kraken, Mariner & Bressay)
- Further Kraken analogues (Heimdal)
- Scylla-Culminations on Heimdal Channel
- Lusca-Heimdal prospect with seismic anomalies
- Heimdal pinchout play
- Maureen slope channel upside
- Dornoch discoveries & prospects
- Hydra-Jurassic wedge with gas chimneys



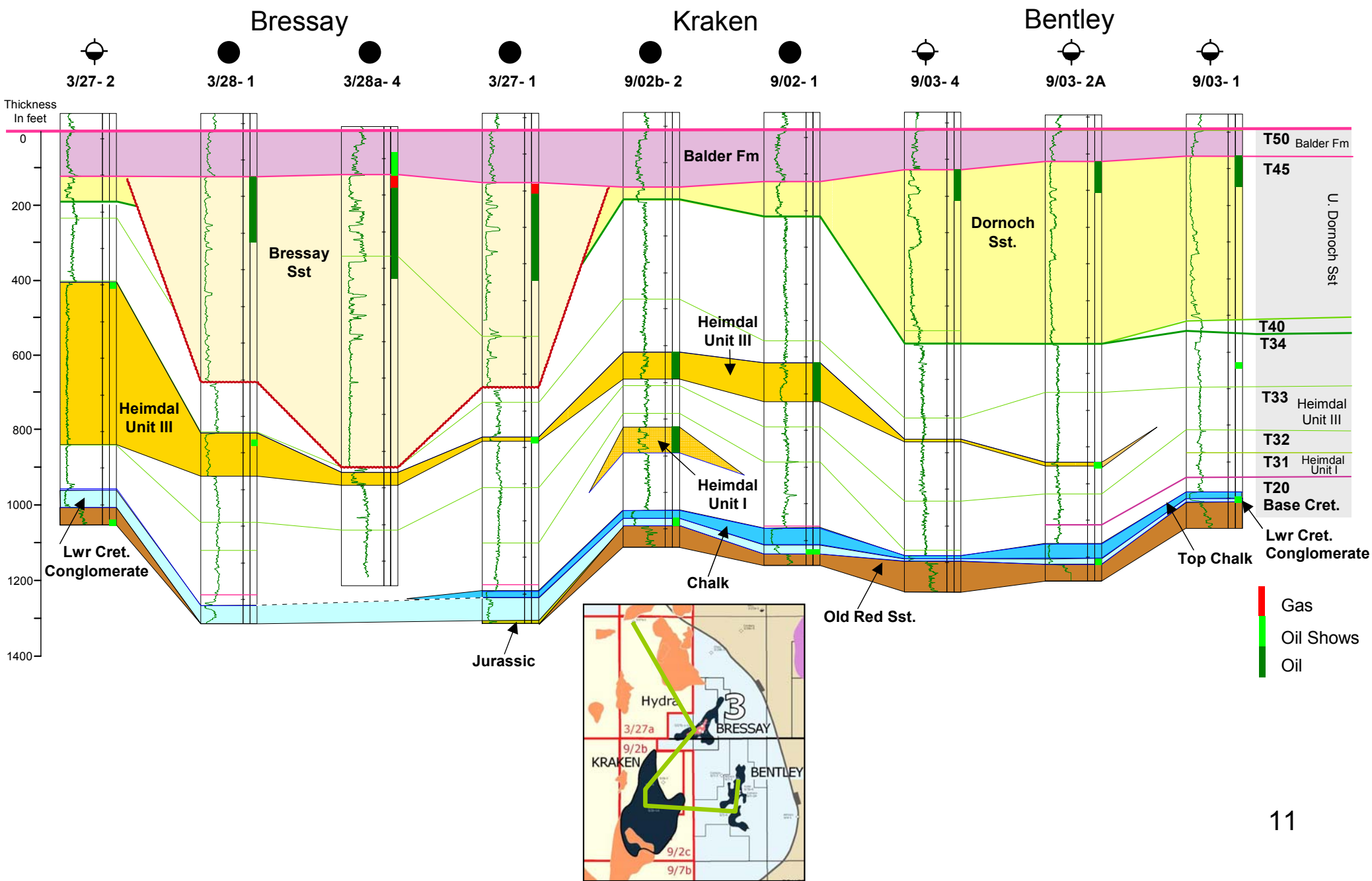
# Kraken (9/2b)



- Discovered in 1985, tested oil on DST from the Heimdal Sandstone
- Successful 2007 appraisal well, 9/2b-2, confirming a significant hydrocarbon column of at least 77m
- 9/2b-2 ODT 51m deeper than 9/2-1
- Excellent reservoir characteristics (Av.  $\emptyset$ =29%  $k > 3D$ )
- Crude at least 15°API and 110cp
- Gross best estimate contingent resources 106mmbo (37.1mmbo net)
- Nautical farmed out to Canamens and Celtic Oil, fully carried on well 9/2b-3; plugged & abandoned October 2008
- CSEM line acquired in January 2009

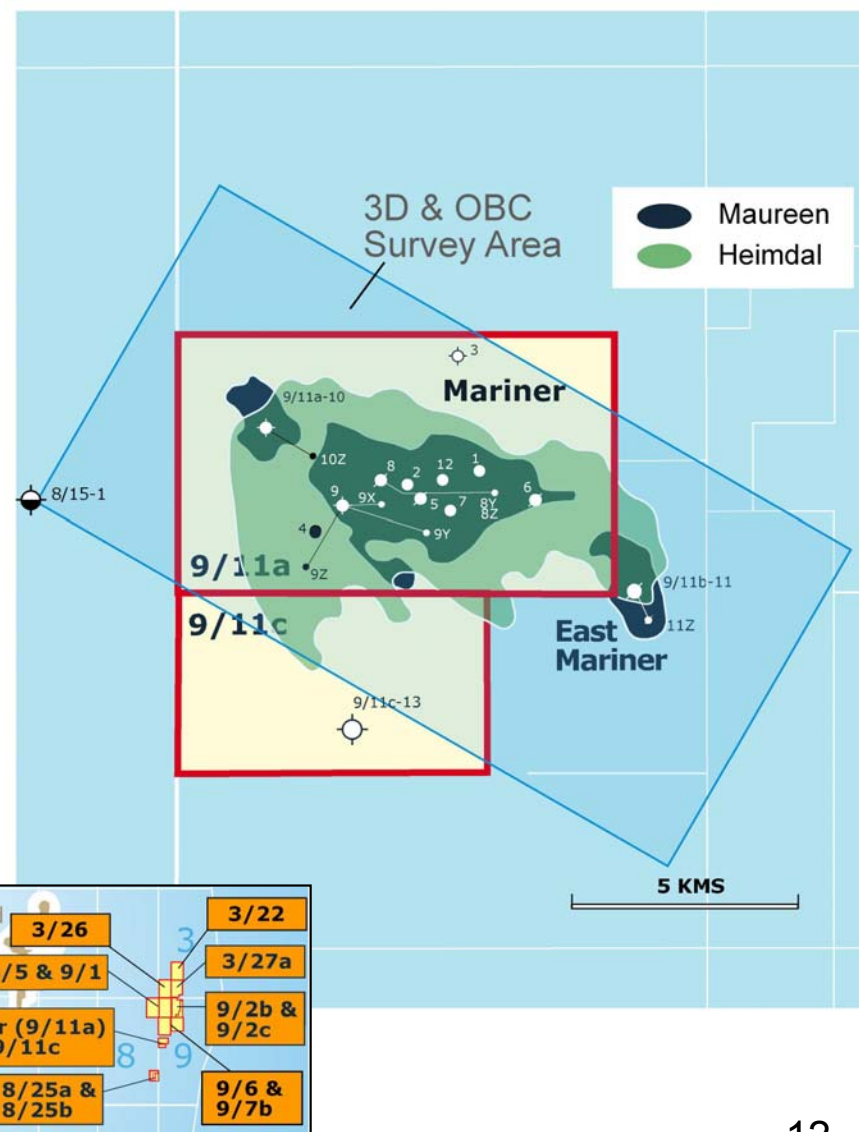


# Heimdal and Dornoch Reservoirs

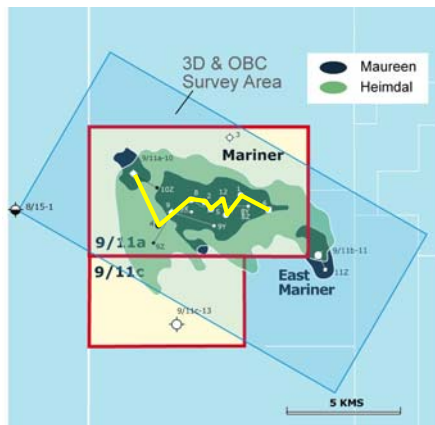
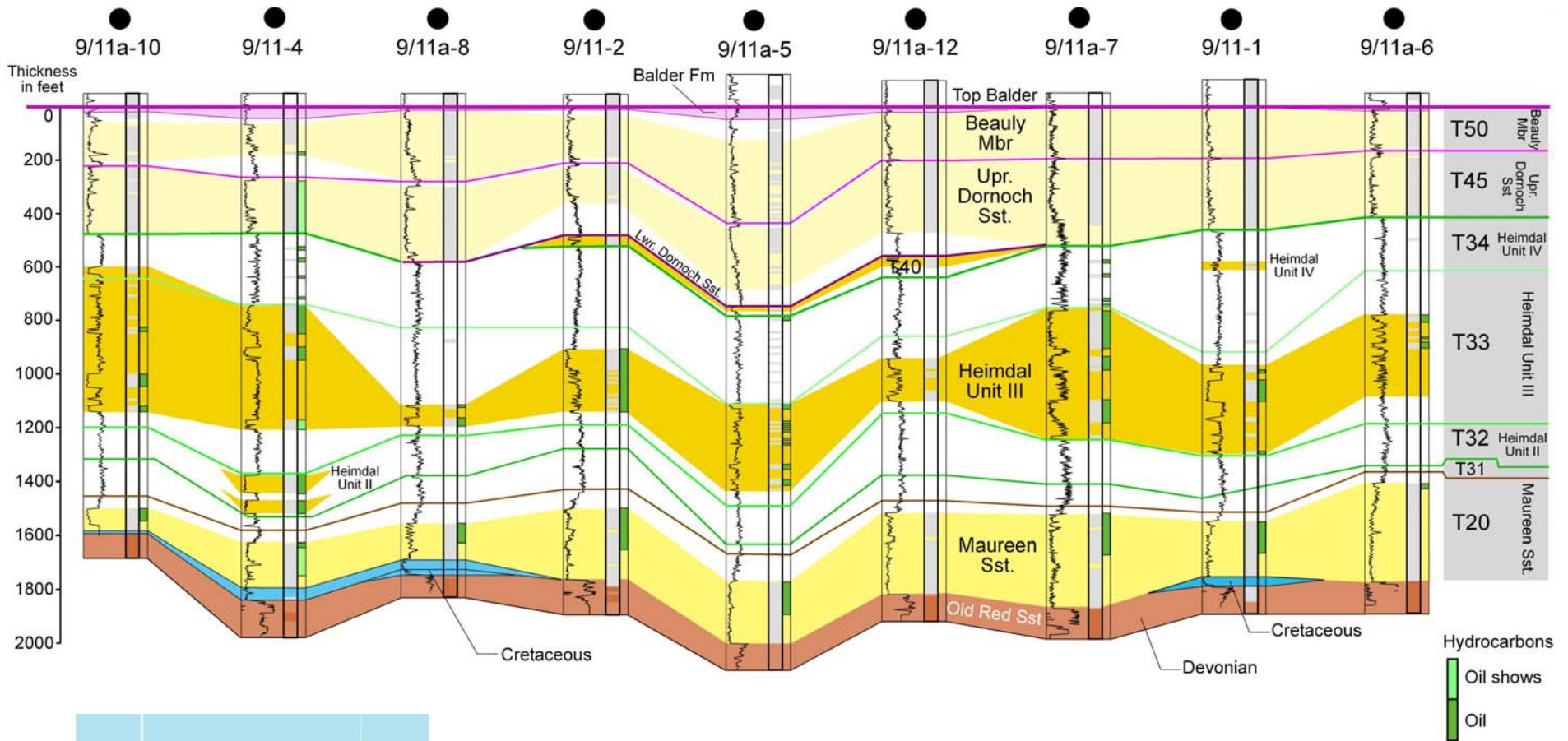


# Mariner and East Mariner (9/11a & b)

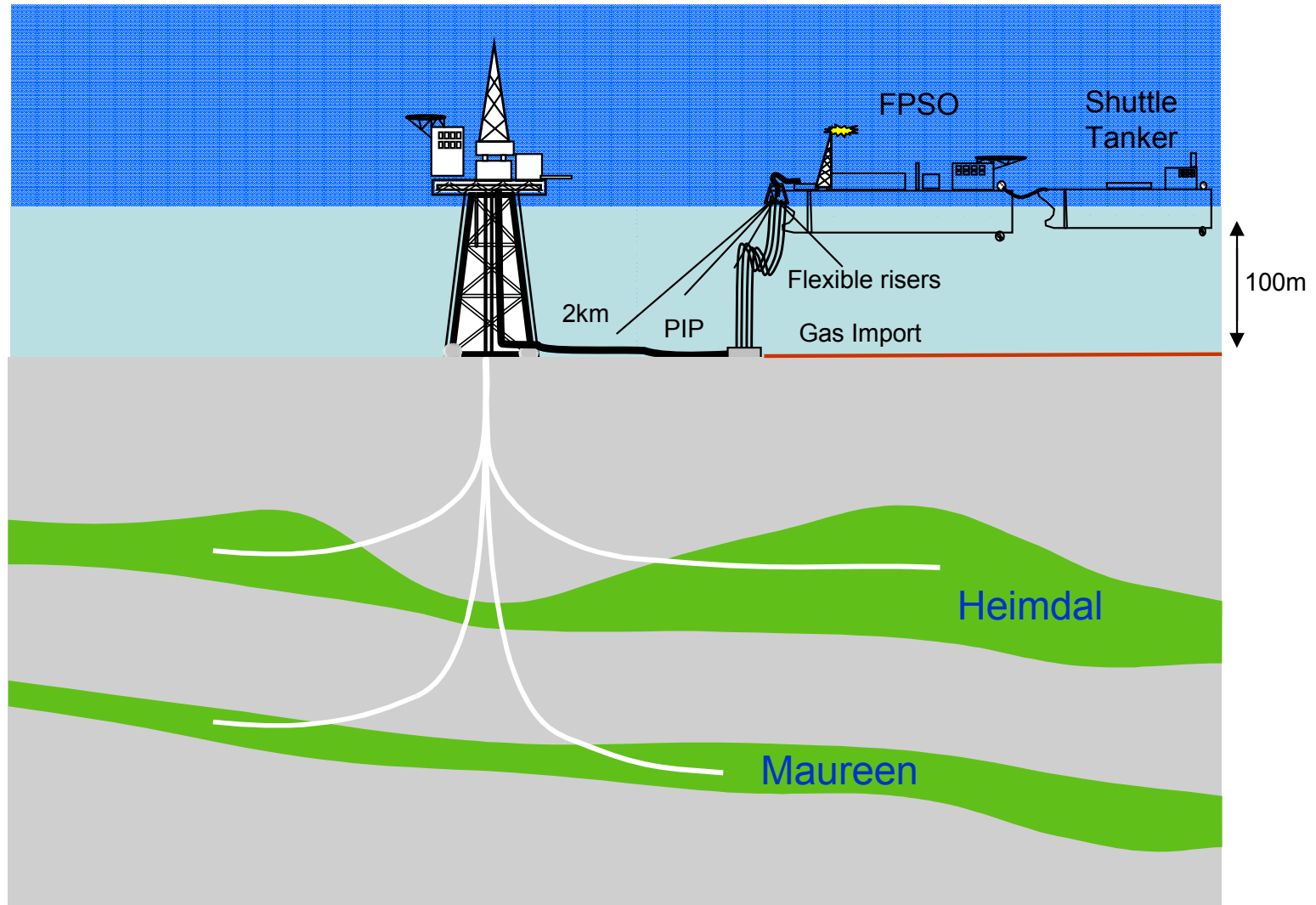
- Committed operator – StatoilHydro ASA  
-expert heavy oil developer (Grane field operator)
- Gross 2P reserves 94mmbo (22.9mmbo net) and gross best estimate contingent resources of 180mmbo (43.9mmbo net)
- Proven well deliverability from excellent reservoir EWT (662,000bo produced) averaged 10,000bopd
- New 3D seismic and OBC surveys acquired in summer 2008
- Initial processing of OBC data shows significant enhancement of Heimdal imaging
- No new drilling required
- Updated reserve report expected October 2009 (Maureen and Heimdal)
- First oil planned for 2014



# Mariner Multiple Reservoirs



# Mariner (9/11a) Schematic Development



# UKCS Heavy Oil Production Costs

- Development costs comparisons
  - Mariner Capex/Opex \$29.40/bbl\*
  - Kraken Capex/Opex DryTrees \$28.50/bbl\*  
Capex/Opex WetTrees \$29.60/bbl\*
- Development costs are falling and will fall further
- Nautical in pole position to capture these lower costs

\* Based on 2008 Operator and independent studies

# UKCS Heavy Oil Discount Myth

- UKCS Heavy Oil is:
  - Not Canadian Tar Sands
  - Not Orinoco Bitumen
  - It is a scarce chemical feedstock
- UKCS Heavy Oil production is declining (Captain, Harding & Gryphon) or ceased (Leadon) but demand is rising
- Discount to Brent has narrowed to <\$2 per barrel and can be a premium

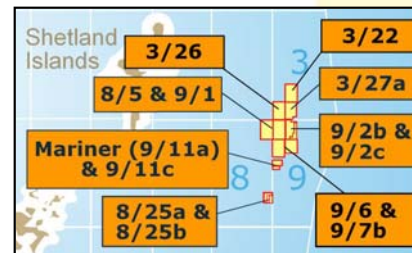
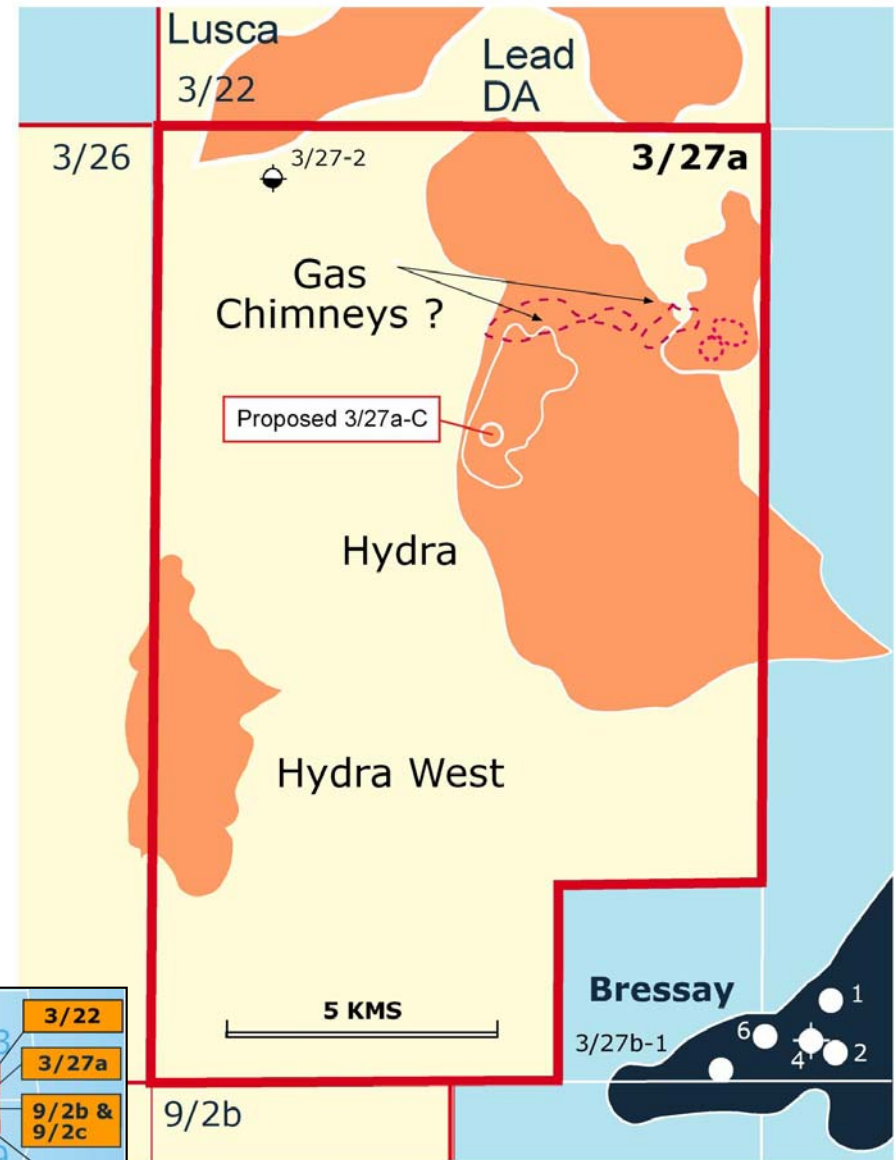
# Exploration Portfolio

- Key prospects/discoveries to be drilled in 2009/10
  - Hydra
  - Tudor Rose
  - Catcher
  - Merrow
- Large prospects/discoveries, significant upside

# Hydra Well



- Block 3/27a – contiguous to North 9/2b
- 1413km of new high density, high resolution seismic acquired in Q4 2007. Integrated and interpreted with 100km<sup>2</sup> of 3D seismic.
- Interpretation has identified several prospects in the Heimdal (Hydra West) and upper Jurassic Humber sandstones (Hydra) and associated gas chimneys
- Site survey acquired Q3 2008
- Nautical farmed out well to Canamens and Celtic Oil. Exposure reduced to less than £1million
- Well to be drilled in 2009





# Block 14/30a



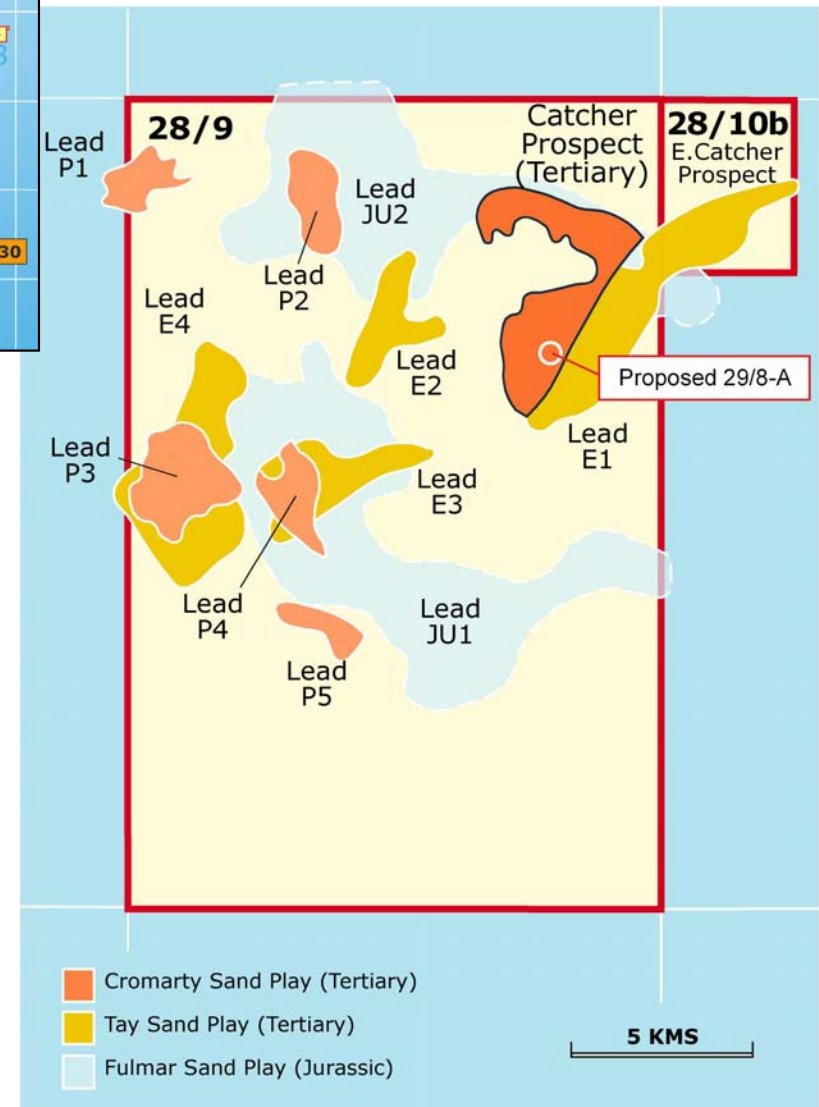
- Located Outer Moray Firth
- Nautical equity 20%
- Tudor Rose discovery, 24m oil column and 3m gas column. Best Estimate Contingent resources increased to 49mmbo (9.8mmbo net) with significant upside in undrilled sand lobe
- Shallow target 1000ms
- Predicted oil gravity 21° API
- Tudor Rose reservoir Dornoch Formation with deeper Kopervik Sand (Cretaceous) and Sgaith Sand (Jurassic)
- 3D seismic reprocessed and interpreted. Drill or drop before 2011



# Blocks 28/9 & 28/10b



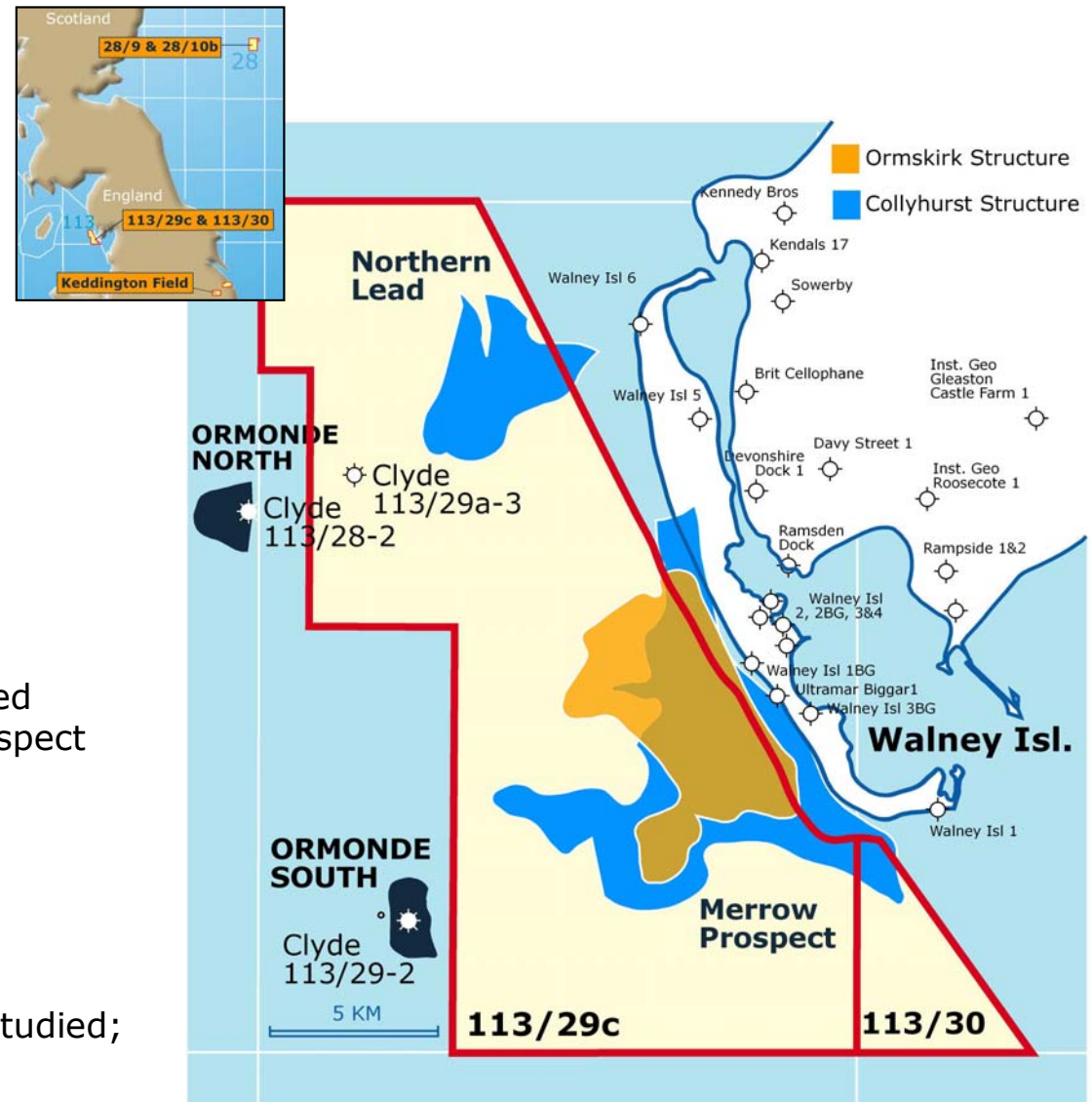
- Located on West Central Platform
- Nautical equity 15%
- Tay sandstone (Eocene) and Cromarty sandstone (Paleocene) reservoir fairways throughout the block
- Catcher prospect and numerous leads defined on 3D seismic. Seismic anomalies indicate thick, hydrocarbon bearing sand sequence
- Best estimate prospective resources 21.8 mmbo (gross), 3.3 mmbo (net to Nautical)
- Low 20's API oil predicted
- Well to be drilled in Q3 2009 (Nautical 20% carry)



# Blocks 113/29c & 113/30

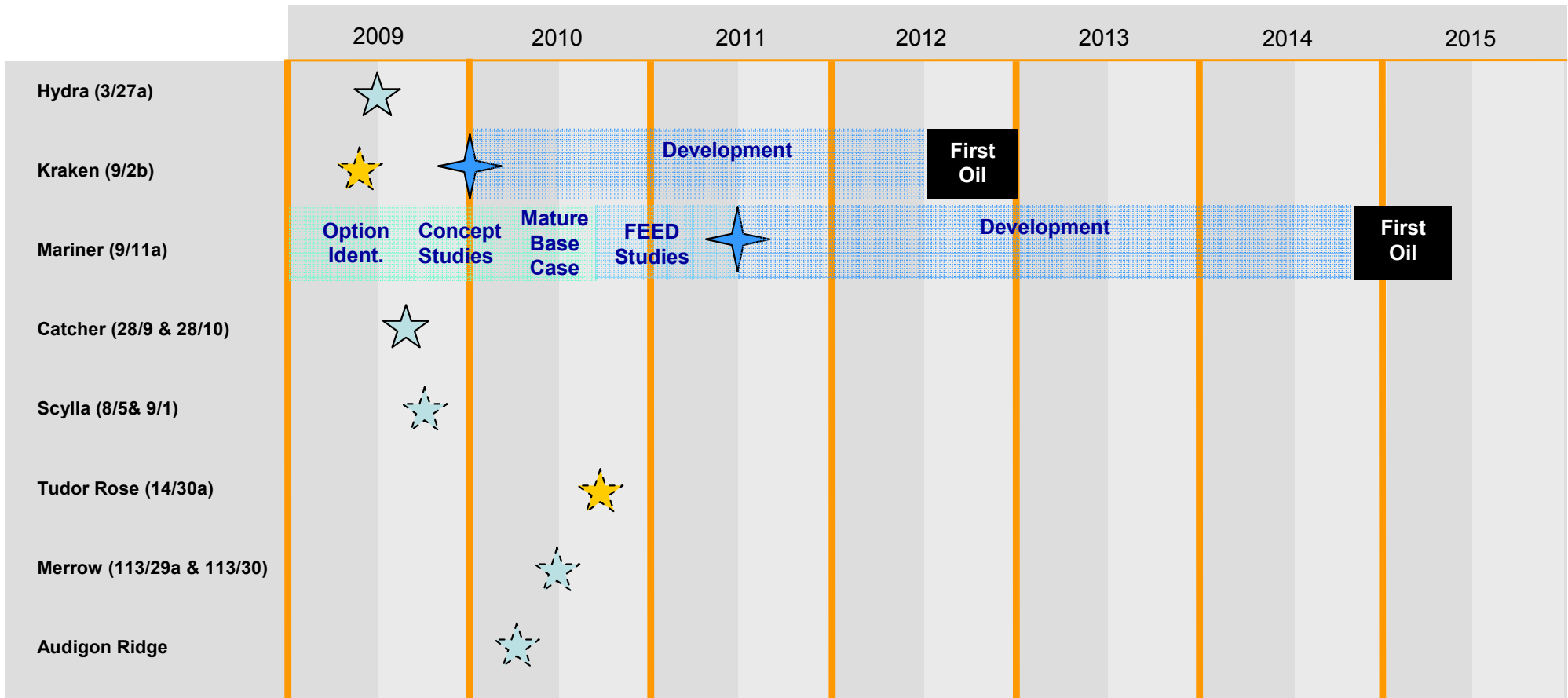


- Located on the edge of East Irish Sea Basin
- Nautical (50%) operated traditional licence
- Reservoirs, Ormskirk sandstone, Triassic (Morecambe field etc) and Collyhurst sandstone (Permian)
- Over 700 kms of seismic has been reprocessed and interpreted confirming large Merrow prospect at 2 levels (Ormskirk sandstone, Triassic (Morecambe field etc) and Collyhurst sandstone (Permian))
- Drill or drop by 2011; drilling options being studied; onshore a strong contender



# Activity Timeline 2009-2015

## Road to Revenue



★ Drill Appraisal Well    
 ★ Drill Exploration Well    
 ★ Site Survey    
 ★ FDP Submit

# Summary

- Nautical remains a well capitalised business with cash and debt facility totalling £28.9million
- Balanced inventory of resources and reserves underpins investment case – 22.9m reserves / 93.6 BECR
- Exploration portfolio provides further 'drill bit' value creation opportunity
- Current environment presenting opportunities to reduce development costs on Kraken and Mariner – Board assessing further derisking strategies ahead of FDP's

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