

HD ROC **OIL COMPANY** LIMITED

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WC 1,561 words

PD 27 March 2014

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ROC **OIL COMPANY** LIMITED

Code: ROC

Shares on issue: 686.6M.

Market Cap: \$305.5m.

Cash on Hand \$65m.

Last traded at: 44.5 Cents

(Chart)

Interpretation:

This year saw ROC fall from a high of 52 cents on February 17 to a low of 40.7 cents on March 20.

It recovered to 45 cents on March 26, hit a high of 45.2 cents (Darvas box high) on March 27, yesterday before closing at 44.5 cents. The immediate target is 48 to 49 cents.

Gerald Stanley

Directors:

Michael Harding, MSc (Mech Eng), non exec chair, appointed December 11 2013 following retirement of Andrew Love as chairman and director effective the same date.

Mr Harding is the Chairman of Downer EDI Limited and a non-executive Director of Santos Limited and Transpacific Industries Group Ltd. Mr Harding is the former Chairman of Clough Limited (2006-2010) and a former non-executive Director of Arc **Energy** Limited (2003-2007).

Mr Harding holds a Master of Science degree and had a 25 year career at BP plc between 1978 and 2003. He held various project and business management positions at BP plc, which provided upstream sector experience in the United Kingdom, South Korea, Western Australia, former USSR Republics, PNG, Malaysia and Thailand. His final position at BP plc was as President and General Manager of BP Exploration Australia and CEO of BP Developments Australia Pty Limited.

Mr Harding is a former Vice-Chairman and council member of the Australian Petroleum Production and Exploration Association.

Alan Linn, Ceng, MIChemE, CEO and exec director

Mr Linn joined ROC in January 2008 as Asset Manager - Africa and in October 2008 was appointed Chief Operating Officer. Mr Linn was appointed as Acting Chief Executive Officer on 29 October 2010 and was appointed as Chief Executive Officer on 23 February 2011. He was appointed as Executive Director on 27 February 2012.

Mr Linn is a chartered chemical engineer with 30 years of international operational and joint venture management experience in both the upstream and downstream **oil** sectors.

Mr Linn spent 15 years working with EXXON/Mobil in both downstream and upstream assignments in the UK and USA before moving into the independent E&P **oil** sector working internationally for LASMO, Cairn **Energy** and Tullow in senior operational and business management roles.

Before joining ROC, Mr Linn was **Operations** Director for African Arabian Petroleum, a privately owned E&P **company** headquartered in Dubai. Based in Tunisia, Mr Linn was responsible for all operational and engineering activities within the business' African focused portfolio.

Nigel Hartley, non exec director

Chris Hodge, non exec director

Robert Leon, non exec director

Graham Mulligan, non exec director

Snapshot:

Roc **Oil** Ltd was established in late 2006 by Dr John Doran and listed on August 5, 1999, closing at \$2.02 on 8.8m shares, a small premium to the \$2 float price.

ROC **Oil** on its website pays tribute to the founder, saying in part, "Immediately following the **sale** of Command Petroleum, John established ROC in late 1996. For a brief period, ROC was a start-up **company** with no assets, no partners, no working capital and John as CEO with a business card that declared him as the "Only Employee" (this was not applicable for long). For the next two years ROC was a private **company**, with John and his growing staff assessing potential opportunities in India, Australia, Malaysia, Indonesia, parts of Africa, the Middle East and the UK. ROC listed on the ASX in 1999 and completed an initial public offering to raise A\$150 **million**. He passed away suddenly in June 2008.

Assorted landmark events (significant acquisitions and divestments ongoing since listing)

*Funds from the IPO enabled ROC to acquire the Saltfleetby gas field in the UK, sold for a substantial profit in 2006.

*In 2006 ROC acquired 24.5% of the Zhao Dong Block in Bohai Bay, offshore **China** for \$US260 **million** and made a potentially significant **oil** discovery, Wei 6-12S-1 in Block 22/12 offshore Western Australia.

*ROC increased its **stake** in BMG (Basker-Manta-Gummy), then sold a 10% **stake** to Indonesian national **oil company** Pertamina, retaining 30% and remained operator, divested its BMG **stake** in 2012.

*In 2006 production commenced at the Cliff Head **Oil** Field and at the **Chinguetti Oil** Field, offshore Mauritania.

*In 2008 ROC acquired Anzon Australia Ltd for 1.32 ROC shares for every Anzon share.

Various acquisitions and divestments continued.

*In 2011 ROC made its first full year profit since 2005, followed by a record net profit of \$US61 **million** in 2012 with no debt.

ROC **Oil**'s targeted regions today are **China**, South East Asia and Australia.

Current assets:

ROC is the operator of the following assets:

*Cliff Head **Oil** Field, offshore Perth Basin, Western Australia (42.5%);

*Zhao Dong **Oil** Fields Bohai Bay, offshore **China** (C&D **Oil** Fields 24.5%; C4 **Oil** Field 11.667% unlisted; Zhanghai 39.2%); and

*Block 09/05, Bohai Bay, offshore **China** (100%).

ROC has production interest in the following assets:

*Beibu Gulf, offshore **China** (ZW 6-12 and WZ 12-8 West, 19.6%);

*Blane **Oil** Field, North Sea (12.5%); and

*Enoch **Oil** Field, North Sea (12.0%).

ROC is participating in the following development, appraisal and exploration assets:

*Balai Cluster, offshore Sarawak, Malaysia (holding a 48% **equity** investment in BC Petroleum);

*WZ 12-8 East, Beibu Gulf, **China** (40% and Operator pre CNOOC back in of up to 51%).

For the full year ended December 31 2013

On February 26 ROC **Oil Company** Ltd for the full year ended December 31 2013 announced a net profit down 26% to \$US45.189 **million** on revenue up 4% to \$US250.995 **million**.

No final dividend was proposed.

Net cash was \$US65.1 **million** vs \$US56.8 **million** last year.

Production was up 12% to 2.7MMBOE at the high end of guidance.

Net cash at December 31 2qs \$US65.1 **million** with undrawn debt facilities of \$US66.1 **million**.

ROC CEO Mr Alan Linn said in the report it was the third successive year of profit.

He said the Beibu development has been a real success story, with the completed project delivering significantly ahead of reserve, production and cost expectations.

All 15 wells were on line and achieved an overall production plateau of 15,000 BOEPD.

During the year ROC completed the seismic **acquisition** in Block 09/05 in Bohai Bay, offshore **China**. The Zhao Dong reservoir management program including 18 development wells was successfully completed.

Balai cluster appraisal pre development in Malaysia was completed in June 2013.

The Early Production Vessel Balai Mutiara commenced extended well testing.

The field development plan for the Bentara **oil** field was submitted for approval in December 2013.

Good progress is continuing in Malaysia and the FDP for the Bentara **oil** field was submitted in December 2013.

Analysts expectations: \$49 mln, no div/449\$34 mln.

*Following ROC's December quarter report on January 28, 29 and 30 leading brokers had respectively "buy", "overweight" and "accumulate" recommendations for ROC with price targets varying from 75c to 60c.

December quarter production was up 23%, and ROC is seen as undervalued, they said.

Most recently:

*On March 27 Tap **Oil** Ltd advised it has been notified by the Myanmar Ministry of **Energy** of the award of a Production Sharing Contract for shallow water Block M07 in the Moattama basin, offshore Myanmar. The PSC award is subject to finalisation of terms with the Ministry of **Energy**. TAP will hold 35.625% with ROC **Oil** 59.375% and operator, Smart E&P International Ltd 5%.

Major shareholders:

JPMorgan Nominees has 20.72%

HSBC Custody Nominees (Australia) Ltd 15.03%

National Nominees Ltd 14.79%

Citicorp Nominees Pty Ltd 9.46%.

Our note: Remarkably stable register. Apart from Paradise Investment Management Pty Ltd that ceased to be substantial on February 25 2014 on investor transition, there has been no movement in the register since the annual report dated April 10.

Broker recommendations:

Well followed by brokers.

*On March 25 a leading broker in a report on Australian large and small **oil** companies listed ROC as its top choice in its order of preference for small cps (followed by Aurora, Karoon, Senex, Horizon, AWE and Drillsearch) with an "overweight" rating and price target of 75c.

The broker said there was an 85% upside chance, and placed a bull case value of \$1.11. The bear case value is 65c.

*On March 19 in "StockAnalysis" Peter Strachan said ROC is well funded, but "there is no catalyst to buy. There is downside risk as Zhao Dong permit runs out and Balai cluster performance uncertainty".

Peter said the Malaysian RSC project at the Balai cluster is pointless and will not make money since two fields are gas prone and sub commercial so trial **oil** production at one field will just cover outgoings. ROC is producing about 8,200 BOPD. it is re-examining BMG for gas in Gippsland.

ROC is exploring adjacent to Zhao Dong in Block 09/05 in **China** and is facing license extension in 2018 in **China**, so the market will see little value ahead of a decision that is not likely until the last minute, Peter said in the report.

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