



52-wk Range: £0.18-0.95 Market Cap (M): £162.8
 12-month target: £1.10 EV (M): £162.8

Oil & Gas

Oil found at Sea Lion prospect

Summary

Rockhopper Exploration is an AIM listed oil and gas exploration company based in the United Kingdom. Rockhopper has licences to explore for oil and gas in the North Falkland Basin, a basin with two proven petroleum systems and a proven high quality oil source rock.

Event

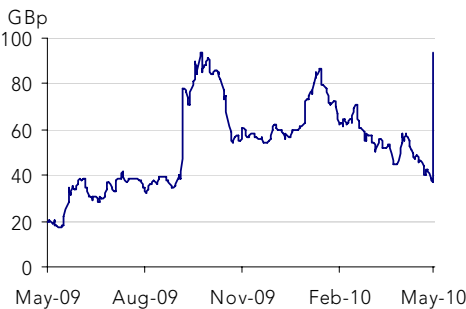
Rockhopper Exploration announced that well 14/10-2 on the Sea Lion prospect has reached a depth of 2,744 metres. Initial data collected indicate that this well is an oil discovery, which would be the first in the North Falkland Basin. The Company has run a suite of wireline logs and logging data collected thus far indicate that the well has encountered a 150m gross interval of sand and shales. The data show that the well has 53m of net pay distributed in multiple pay zones, the thickest of which has a net pay of 25m. These pay zones have an average porosity of 19%. Rockhopper now intends to collect additional logging information prior to making a decision whether to plug and abandon the well, or to suspend the well for future testing. The Company is also considering whether to drill an appraisal well on Sea Lion later during the current drilling campaign. Further information will be distributed in due course. It remains the intention of the Company to drill the Ernest prospect in the fourth slot of the overall Falklands Drilling programme.

Comment

There is oil in the North Falkland basin and Rockhopper found it. The preliminary results are highly encouraging with a net pay greater than that used for P50 pre-drill estimates and porosity of 19%, slightly lower than that used pre-drill. The P50 pre-drill estimate for the prospect was some 170MMbbl.

Recommendation

This is an excellent result for the Company with a commensurate reaction of the share price, now back to where we initiated and closer to our target price of 110p. Hence we reiterate our Hold rating, pending further developments.



Key Metrics

Shares Outstanding (M): 174.1
 Current Price (GBP): £0.94

Contact

Lionel Therond
 +44 (0)207 936 5244
 Lionel.Therond@fdcap.com

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Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

T: +44(0)20 79365244

E: Lionel.therond@fdcap.com

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Research disclosure as of 07 May 2010

Company Name	Disclosure
Rockhopper Exploration (RKH)	7

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Fox-Davies corporate client & coverage universe as of 07 May 2010

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	22.04.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.54
Circle Oil	COP LN Equity	BUY	25.03.10	£0.85	£0.36
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.62
Enegi Oil	ENEG LN Equity	HOLD	17.12.09	£0.10	£0.14
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.57
Gulf Keystone	GKP LN Equity	BUY	15.03.10	£2.00	£0.83
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.82
Hardy Oil & Gas	HDY LN Equity	BUY	26.04.10	£3.00	£1.96
Matra Petroleum	MTA LN Equity	BUY	26.01.10	£0.11	£0.05
Max Petroleum	MXP LN Equity	BUY	24.03.10	£0.50	£0.18
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.105
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.33
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
Rockhopper Exploration	RKH LN Equity	HOLD	07.05.10	£1.10	£0.94
San Leon Energy	SLE LN Equity	NA	NA	NA	£0.20
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.25
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.01
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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