

# **VENTURE PRODUCTION plc**

**FBR 9<sup>th</sup> Annual Investor Conference**

**December 4th 2002**

**New York City**



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# What is Venture?

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**Leading 'New Generation' UK independent oil and gas production company currently operating in the North Sea and Trinidad**

- We acquire and (re)develop proved but 'stranded' reserves
- Headquartered in Aberdeen with 36 staff (plus 23 in Trinidad)
- Established North Sea and Trinidad Operator
- Material reserve base of 49 MMboe (Proven and Probable)
- Daily production (net) has risen from 2,250 boepd in 2000 to ~10,000 boepd currently
- Significant operated development inventory (North Sea and Trinidad)
- Listed on London Stock Exchange in March 2002 (raising \$50 million)



# Exploitation Driven Strategy

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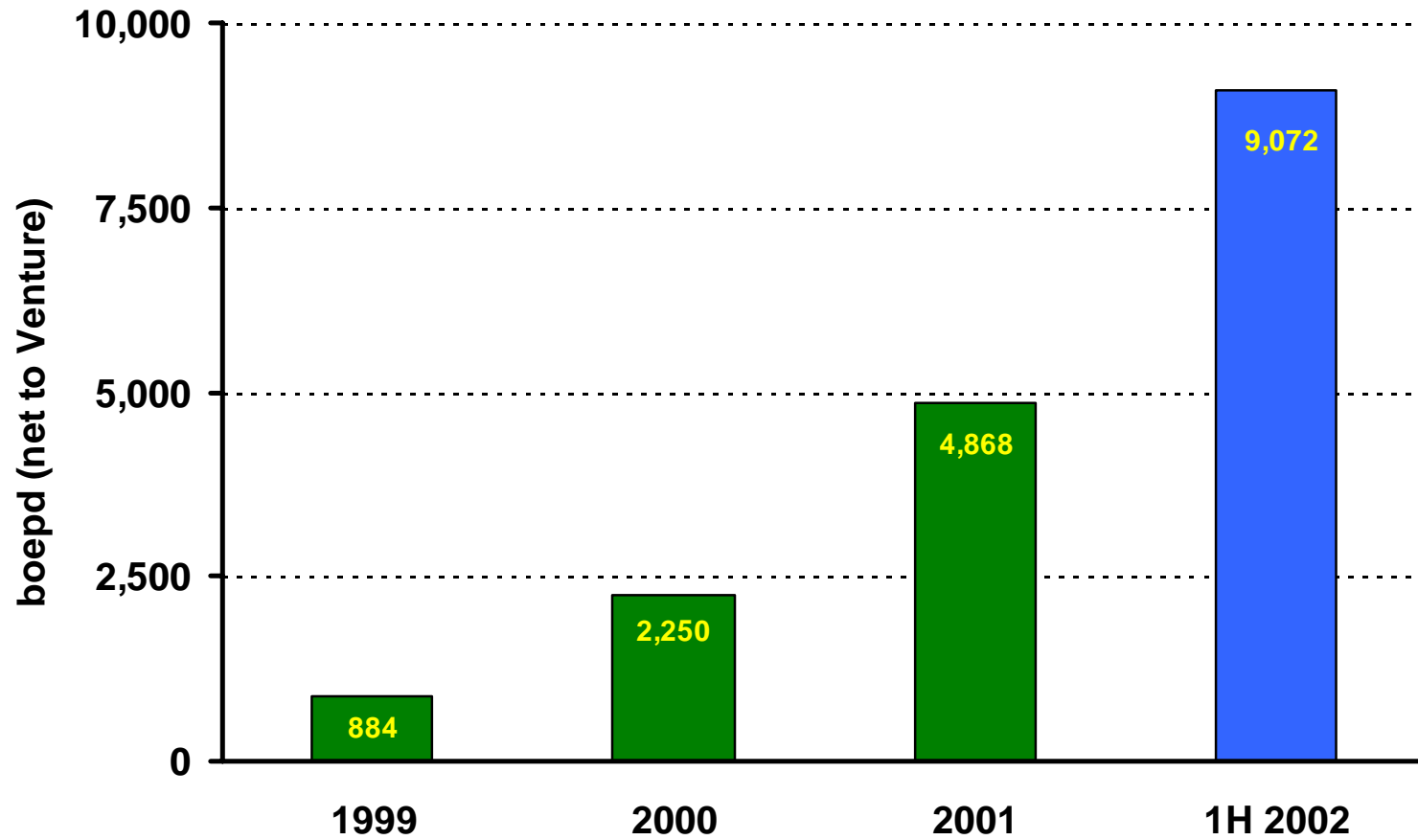
**Generate attractive full cycle returns at moderate commodity prices**

- **Exploitation of 'stranded' reserves** - no exploration risk
- **Geographic focus** - two core areas, UK Continental Shelf and Trinidad
- **Large, operated working interests** - we control our own destiny
- **'Fit-for-purpose' organisation** - core skills in-house
- **Stakeholder alignment** - delivery
- **Strong, motivated team** - high level of management/employee ownership



# Rapidly Rising Production

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# Strong, Experienced Management Team

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Name	Title	Previous Affiliation	(Experience)
John Morgan	Chairman	BP	(35 years)
Bruce Dingwall	Chief Executive	Exxon, LASMO	(18 years)
Larry Kinch	Founding Director	Shell, BP, PES	(27 years)
Mike Wagstaff	Finance Director	Shell, Schrodgers	(18 years)
Jon Murphy	Chief Operating Officer	Conoco, LASMO	(22 years)
Graham Howes	General Manager - Reservoir	LASMO	(20 years)
Andy Wilson	General Manager - North Sea	BNOC, Fina, Sun, Oryx	(21 years)
Jim Lee -Young	General Manager - Trinidad	Shell, British-Borneo	(15 years)

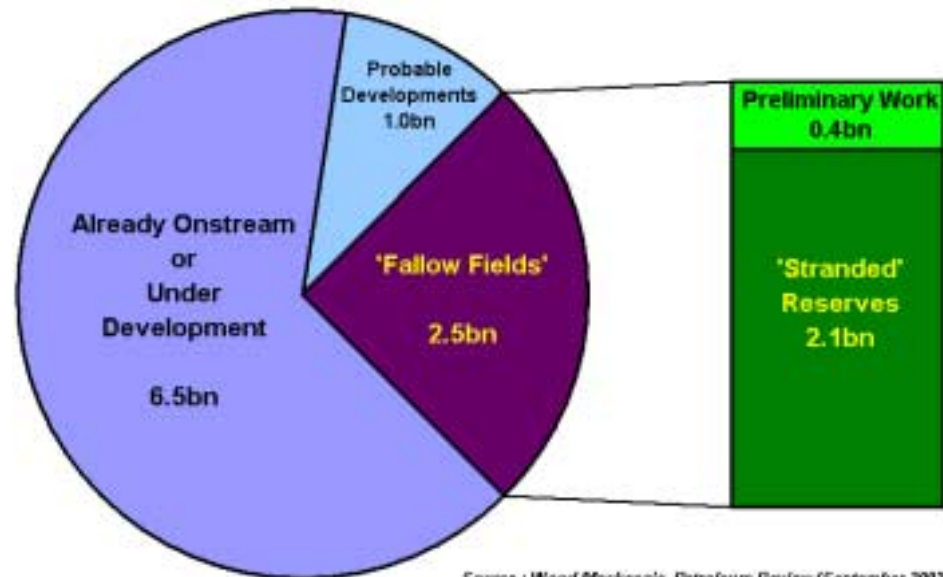


# The North Sea Opportunity for Venture



# The North Sea Landscape in 2002

- Continued consolidation - rising materiality thresholds
- Fewer participants - particularly operators
- Late basin environment - favours niche players
- 2.5 billion barrel 'stranded' reserve inventory in > 300 discoveries
- Increasing pressure on incumbent owners to 'develop or pass on'
- Recent tax changes will force difficult decisions by larger players



MIS-MATCH BETWEEN COMPANY SIZE AND MATERIALITY



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# Venture is Ideally Positioned

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“ It is essential for the UKCS’ future health that the right licences are in the hands of the right players with the skills, interest and resources to maximize their value ”

Brian Wilson, UK Energy Minister : World Oil (December 2001)

Venture has the necessary skills ...

- **Small size** - increased focus and materiality
- **Critical mass** - ability to take on significant projects
- **Operatorship capability and resources** - ability to deliver value
- **Track record** - ‘a safe pair of hands’
- **Public British upstream company** - access to capital markets



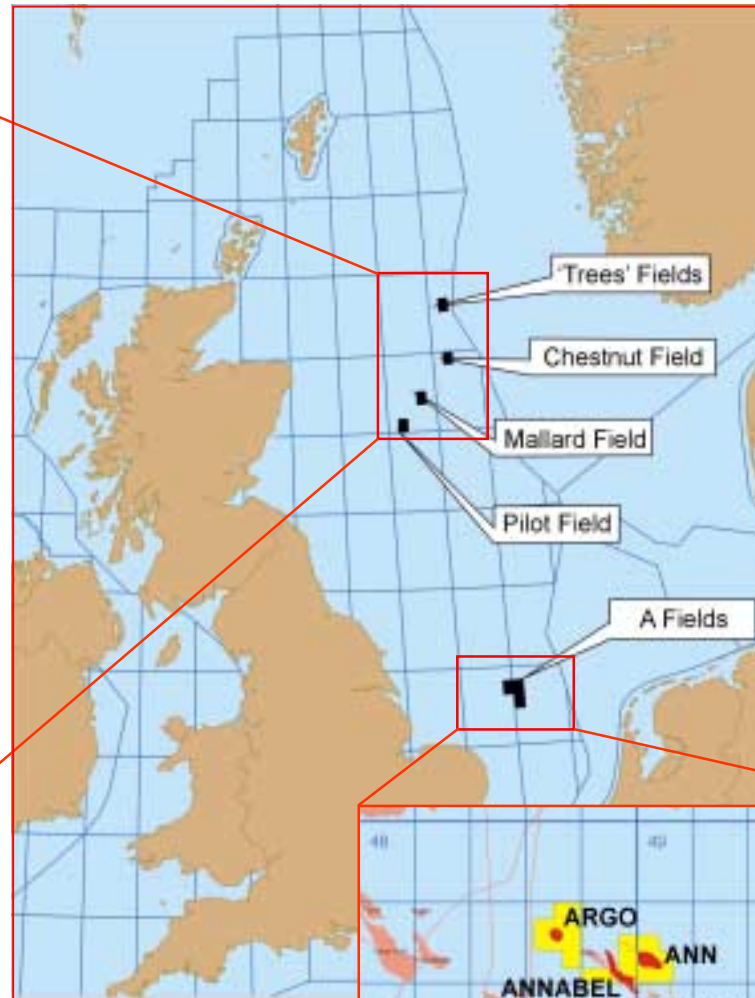
# Track Record and Asset Base



# UKCS - Current Assets



CENTRAL NORTH SEA (OIL)

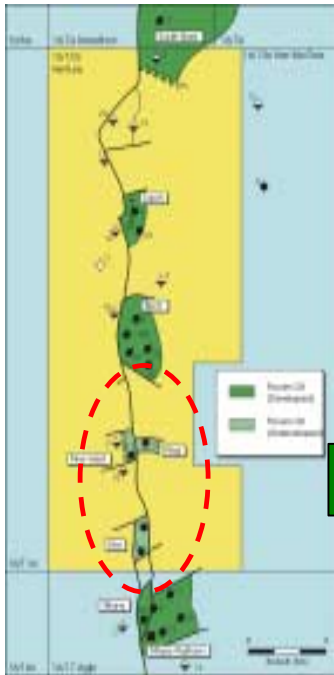


SOUTHERN NORTH SEA (GAS)



# Block 16/12a ('Trees') - Gateway Project

## Apr 2000 Decline Management



- Larch shut in
- Birch producing ~ 2,000 bopd
- Pine / Elm considered sub-economic
- Decline management philosophy

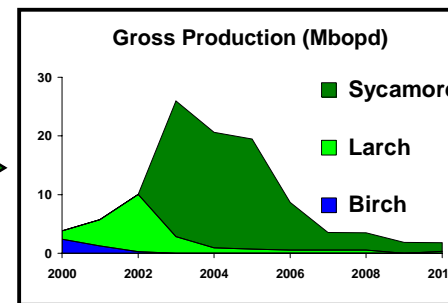
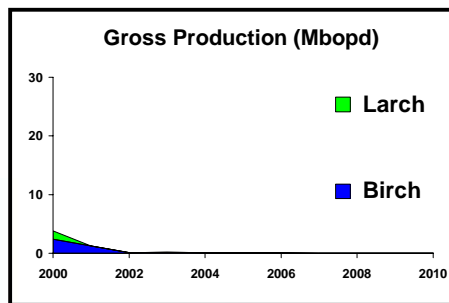
### Key Enablers

- Technical / management focus
- Fresh perspective / speed
- Technology
- Fast track development

## Nov 2002 Rejuvenation

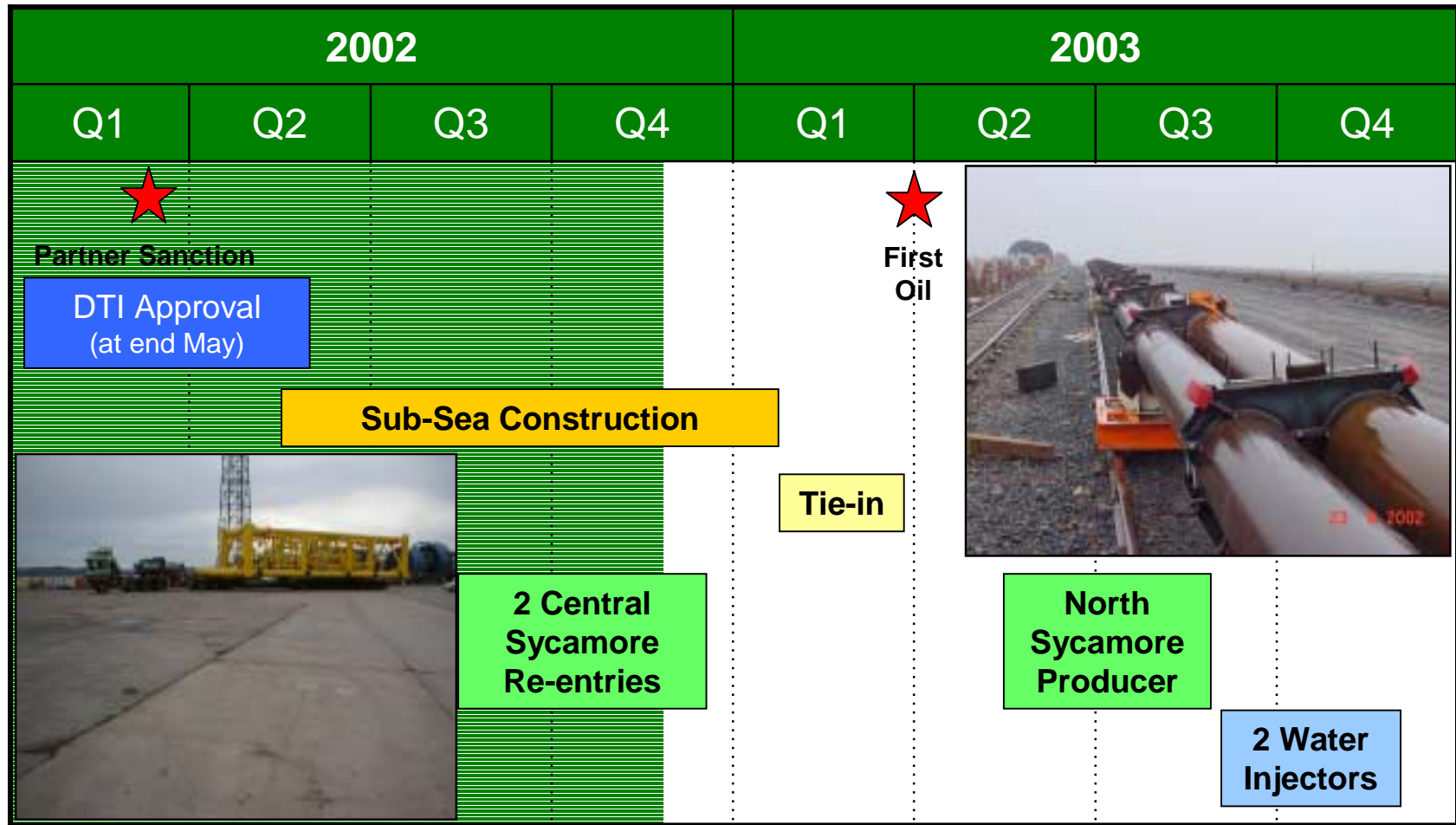


- Larch 4.25MMbbl since May 2001
- Subsurface completely reworked
- Single, productive trend in south of block
- Sycamore development - potential production >20,000 bopd
- Sycamore development approval received May 2002



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# Sycamore Project - On Track for Q2 First Oil



On time and with costs in line with AFE (\$90 million net to Venture)



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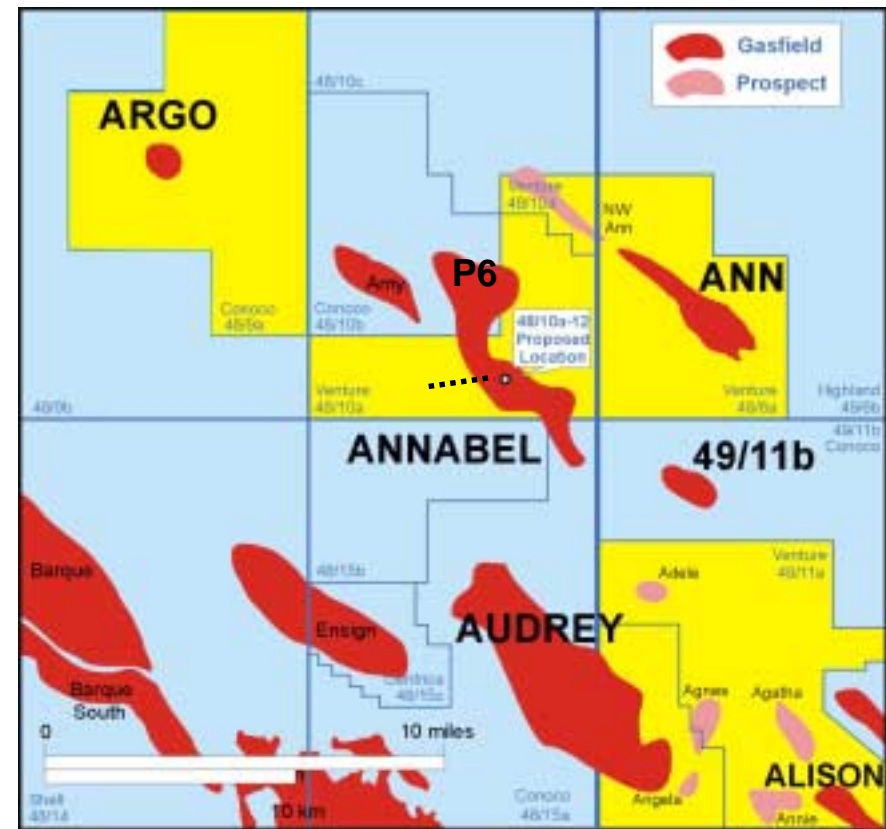
# 'A' Fields - Second North Sea Hub

## The opportunity :

- Lack of materiality to owners
- 4 acquisitions completed
- Significant ownership consolidation
- Commercial issues blocking activity
- In-field reserves potential
- Infrastructure hub
- Satellite development opportunities

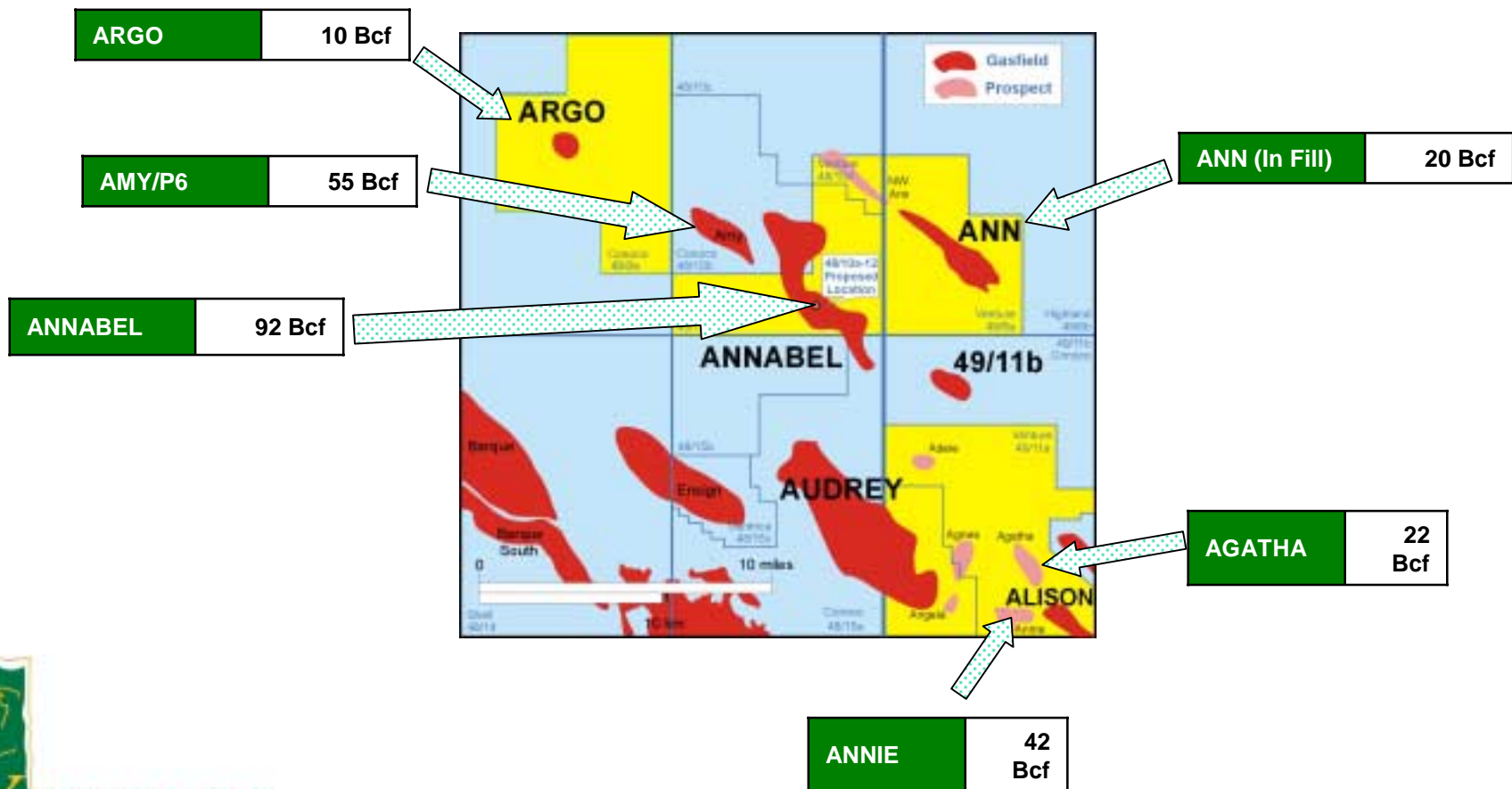
## Venture forward plan :

- Negotiate new gas sales contract ("GSC")  
( in place October)
- Audrey sub-surface review 2002
- Annabel appraisal well 1Q 2003
- Ann in-fill drilling 2003
- Annie/Agatha satellites 2003
- Amy/Argo/Annabel development 2003/4

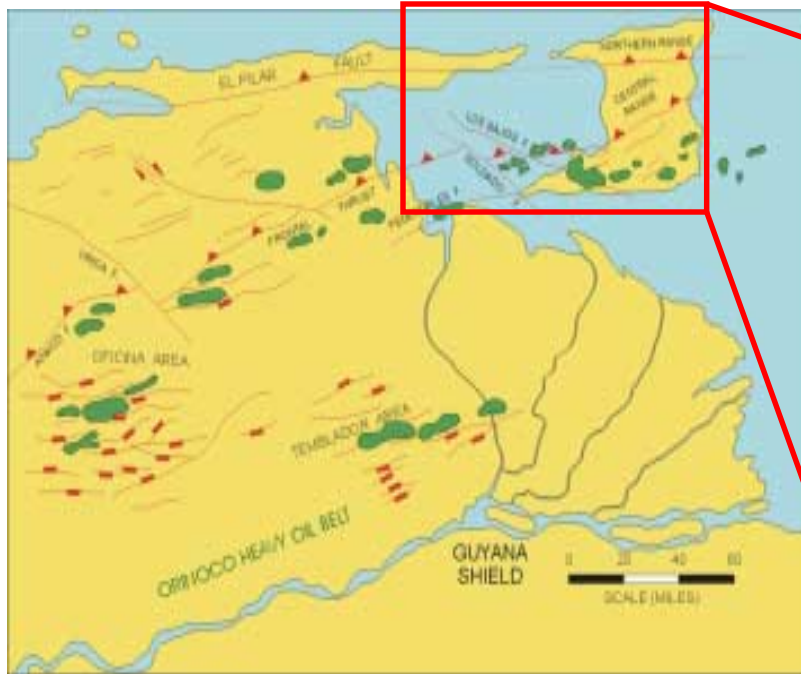


# 'A' Fields – A Significant Gas Business

Incremental Net Reserves (P <sub>50</sub> )	240 Bcf
Production Potential	155 MMscf/d



# Trinidad - Current Assets



## Prolific Hydrocarbon Province

- Produced > 2,500 MMb
- Proven producing > 600 MMb
- Probable and possible > 8,000 MMb
- Gas : 50 - 70 Tcf

## Low Risk

- Nearshore / onshore
- Low opex / excellent infrastructure access
- Stable political and operating environment
- Venture is creating an independent niche



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# Trinidad - 2002

- Offshore Drilling :

- Brighton Marine
- Pt. Ligoure



- Production ~ 1,800 boepd net :

- Assessing further infill drilling on Brighton and Point Ligoure

- New Business

- Formed and lead local consortium



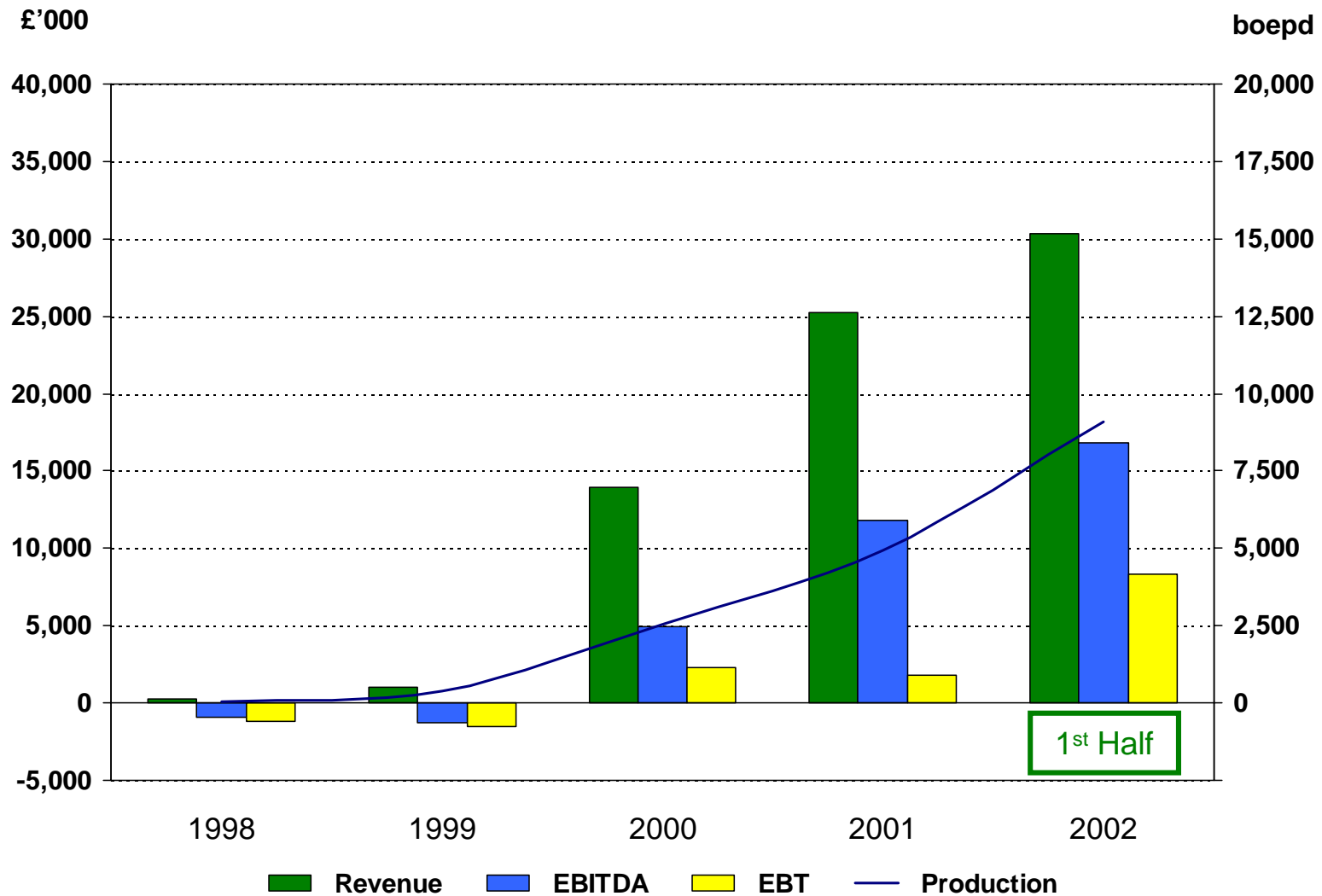
# Financial Summary

# Corporate Financing Strategy

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- Maintain strong balance sheet
- Attract long term financial partners
- Retain investment capacity through cycles
- Benefit from ability to capitalise on investment opportunities

# Financial Performance



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# 2002 : Highlights

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- Full listing March on London Stock Exchange
- Strong production in UKCS
- New Gas Sales Agreements in place ('A' Fields)
- Dti approval for development of the Sycamore field;
  - Phase 1 drilling completed – exceptional reservoir deliverability >20,000 bopd
- Acquisition of four additional interests in existing fields
- Addition of 8.6 MMboe of 2P reserves (17.0 MMboe of 3P reserves) at \$0.82/boe. Expected to deliver ~ 6,500 boepd at peak (2004/5)



# First Half 2002 : Financial Highlights

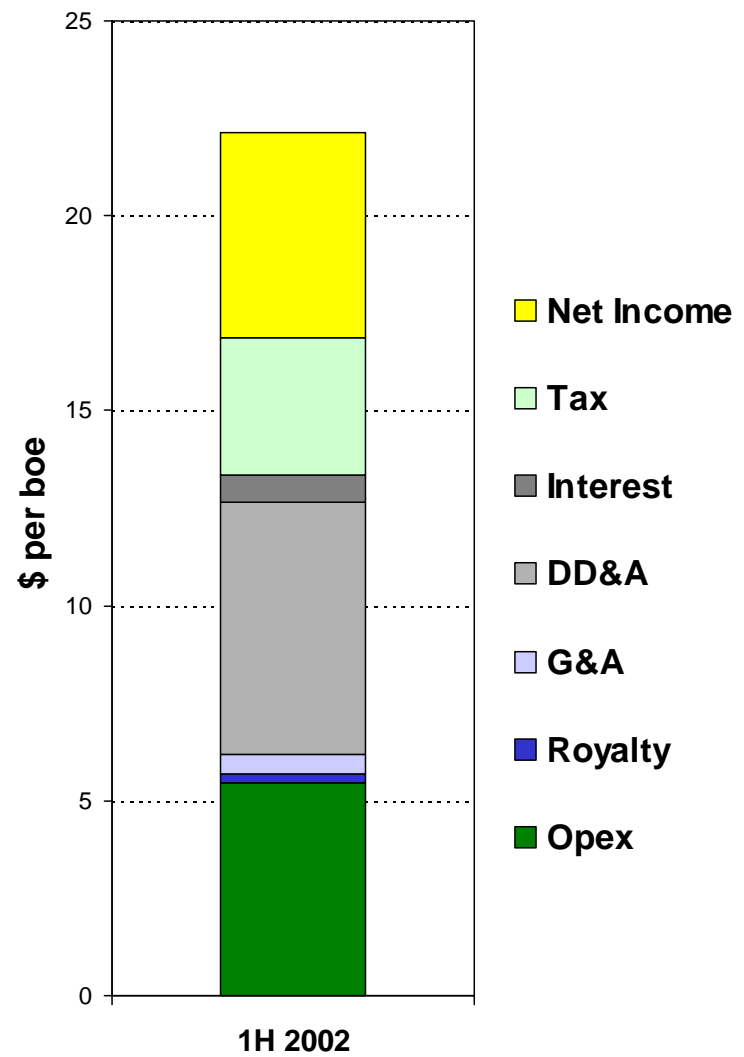
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- Net Production : 9,072 boepd (up 86% over FY 2001)
- Revenue : \$47.0 million (3.7x 1H 2001)
- Operating Profit : \$14.3 million (25x 1H 2001)
- Pre-tax Profit : \$13.0 million
- Operating Cashflow : \$27.6 million (49x 1H 2001)
  
- Total capital expenditure of \$42 million
  
- Full listing on London Stock Exchange raising \$50 million



# Low Cost Structure - Margin Analysis

- First Half net realised price \$22.40/boe
- Lifting cost \$5.44/boe
- DD&A of \$6.44/boe
- Taxation charge virtually all deferred tax
- Net income of \$5.26/boe



# Venture Current Ownership

Investor	Shares (millions)	(%)	Shares (millions)
3i Group	15.1	14.1%	
Larry Kinch	13.1	12.2%	
Lime Rock	8.7	8.1%	
Prospect	13.6	12.7%	
Management & Employees	6.6	6.1%	6.9
Other Shareholders	26.7		
New Investors at IPO	23.5		
		46.8% (free float)	
<b>Total</b>	<b>107.3</b>	<b>100.0%</b>	<b>6.9</b>

Current market capitalisation:

**\$268 million**

(@ £1.585/share and £1 = \$1.58)

Net debt at 30/6/02:

**\$2 million**



# Risk Mitigation Strategy

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- Negligible exploration risk
- Operatorship provides high degree of control
- Phased nature of (re)development
- Low acquisition cost assets
- Growing portfolio effect
- Significant commodity hedging

# Summary

# Investment Highlights

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- Repeatable, exploitation driven strategy
- Strong, experienced team
- Track record of delivering value on assets
- Current assets provide a platform for continued growth
- Ideally positioned to capitalise on current North Sea opportunity